HAFARY HOLDINGS LIMITED

ANNUAL REPORT

2011

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Collins Stewart Pte. Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report.

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

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

Contents

Hafary Holdings Limited, and its subsidiaries, (the "Group") is a leading supplier of premium tiles, stones, mosaic, wood-flooring and sanitary ware and fittings in Singapore. Leveraging on our strong sourcing and procurement network, we carry a wide variety of surfacing materials from China and Europe (mainly Spain and Italy) and supply to our customers at competitive prices.

Corporate Profile

The Group comprises seven subsidiaries, namely: Hafary Pte Ltd ("HPL"); Surface Project Pte. Ltd. ("SPPL"); Surface Stone Pte. Ltd. ("SSPL"); Wood Culture Pte. Ltd. ("WCPL"); Hafary Centre Pte. Ltd. ("HCPL"); and two newly incorporated subsidiaries - Hafary Vietnam Pte. Ltd. ("HVPL") and Hafary China Pte. Ltd. ("HChPL").

Set up in May 1980 by Executive Chairman, Mr Low Kok Ann, HPL is the wholly-owned subsidiary of Hafary Holdings Limited that supplies homogeneous and ceramics tiles and sanitary ware and fittings. HPL is the largest sales generator of the group.

SPPL was set up in January 2005 to garner business from development projects in both the public and private sectors in Singapore. Having amassed considerable experience, this division has begun handling larger projects within the last three years. To date, SPPL has played an instrumental role in the provision of surfacing materials to a considerable number of quality commercial and residential development projects in Singapore.

SSPL was set up in April 2009 to focus on the supply of stone tiles and marble.

WCPL was set up in April 2010 to complement the Group's businesses by offering wood-flooring products.

HCPL was set up in December 2010 to support the Group's warehousing requirements.

HVPL and HChPL were incorporated in September 2011 as investment holding companies. These subsidiaries will act as special purpose vehicles for the Group's investments and acquisition of assets in Vietnam and China. This is in line with the Group's plans to expand the business in the region through acquisitions, joint ventures and strategic alliances with parties who can value add to the Group's existing business.

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

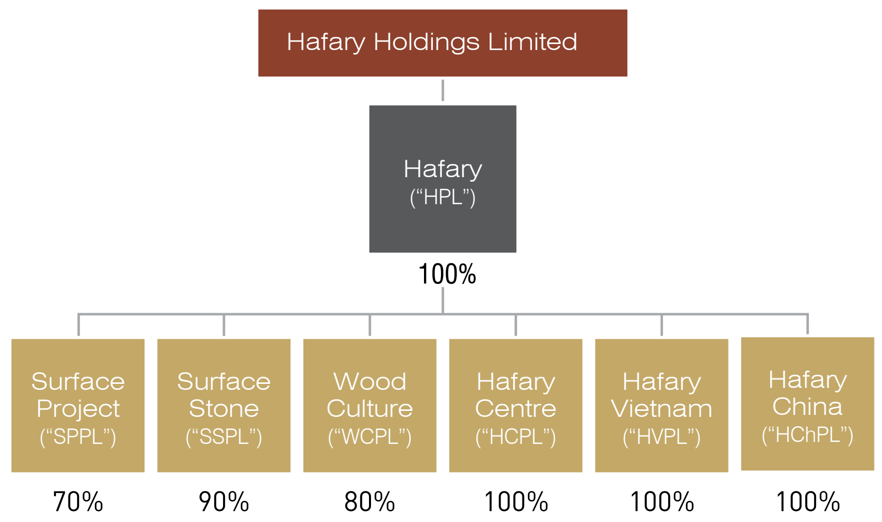
General

Retail customers may purchase our products directly from our three showrooms located at 15 Defu Avenue 1 Singapore 539538, 560 Balestier Road Singapore 329876 and 18 Boon Lay Way #01-132 Tradehub 21 Singapore 609966, where we display a variety of tiles and mock-ups of kitchens and bathrooms using our tiles, marble, wood flooring and sanitary ware and fittings for the viewing. Other customers include architecture, interior design and renovation firms, who make ad-hoc purchases for small projects such as home renovation or small property development.

Project

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

Group Structure

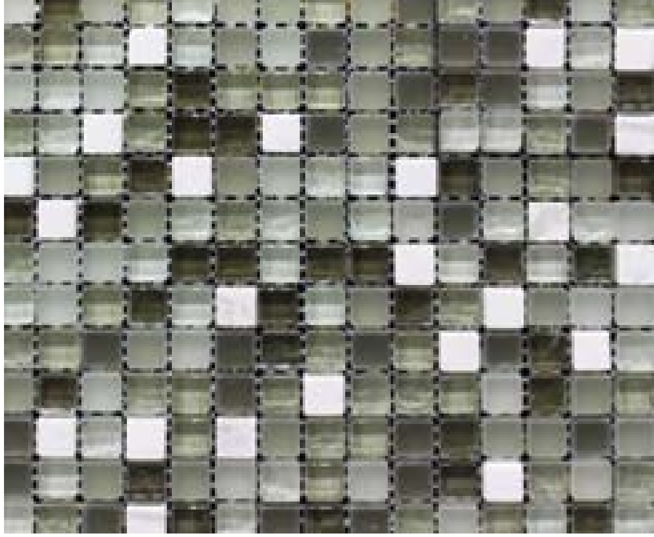


Since establishment, the Group's customer base has grown from homeowners and renovation firms involved in smaller renovation projects to include construction companies, property developers, interior design and architecture firms involved in larger development projects.

Our Products

TILES

Ceramic • Porcelain



Pamesa Ceramiche

Founded in 1972, Pamesa started out by manufacturing ceramic floor tiles, using tunnel kilns to fire them. In 1987, with the inauguration of its first Compactto porcelain tiles factory, Pamesa became the first manufacturer to introduce porcelain tiles to Spain. The Pamesa Group, whose business experience spans a period of over 30 years, currently owns premises covering a total surface area of over 180,000 square meters. Pamesa is a business group in an ongoing state of evolution. Its commitment to the environment is reflected by the introduction of a third cogeneration plant, being the first ceramic tile manufacturer to have been assigned CO1-emission rights in compliance with the Kyoto Protocol.

Lea Ceramiche

One of the most dynamic and productive brands of the Modena ceramics district, Lea Ceramiche has a far-reaching national and international coverage, with a capillary presence in more than 80 countries in the 5 continents around the world. Over the years, Lea Ceramiche has become one of the most prestigious businesses on the world ceramics scene. This has been possible due to large and constant investments aiming to create successful collections with a strong personality based on careful research into style, appearance and performance, for every season.

Realonda

Realonda's history can be traced back to 80 years ago. Known then as "El Tercio" the factory's first phase began in 1920 and continued until 1936. The second phase started in 1952 with its present name Realonda, S.A. During this period, the factory has adapted to technological advances in order to offer its customers the best quality in products, and a conscientious service. Through her catalogues, Realonda wishes to acknowledge its commitment to the requirements of all her customers, through the products within.

Marazzi

Marazzi is a leading international player in the tile sector. Since 1935, Marazzi have been defining living spaces by combining aesthetics and top quality materials. Experience and innovation capability, creativity and design, tradition and culture, a passion for ceramics and environmental awareness are the fortes of Marazzi. Today, thanks to their outstanding technical and aesthetic characteristics, Marazzi tiles are used not only for the floors and walls of residential buildings but also increasingly chosen for use in public spaces and in major architectural projects. The Group has always been committed and dedicated to research and development activity. This ongoing commitment has lead to the development of significant production know-how, both solely in-house and in cooperation with suppliers of equipment. For decades now, Marazzi has been developing and offering the market new areas of application for ceramics, providing architects with products that deliver outstanding technical characteristics.

Porcelanosa

Porcelanosa was founded more than 30 years ago in a small village by the Mediterranean Sea in Castellon, Spain. Since then, Porcelanosa have been providing architectural and design solutions with unparalleled innovation, quality, and service. The same family who founded the company back in 1970 still runs it today under the same values of work ethics and integrity. Today, Porcelanosa has experienced incredible growth and their global presence extends to 70 different countries through more than 400 company owned showrooms, distribution centres and an extensive network of independent distributors and retailers.

Our Products

STONE

Marble • Granite • Limestone • Quartz • Composite Marble and Quartz

Kalingastone

Kalingastone creates innovative, contemporary, aesthetically and technically pleasing composite marble and quartz. Serving all global and local markets while complying with global company standards, Kalingastone ensures high product quality and offers the latest trends from all across the globe. Designed in Italy and executed in India, Kalingastone is produced at state-of-the-art production plants that spread over 200,000 square meters with cutting-edge production and processing technologies. Primarily produced from natural stone composite, thus putting to use the stone chips and powder from various quarries across the world, Kalingastone's collection comprises of 96% natural aggregates, which is environment friendly, resulting in a perfect unity between nature and technology.

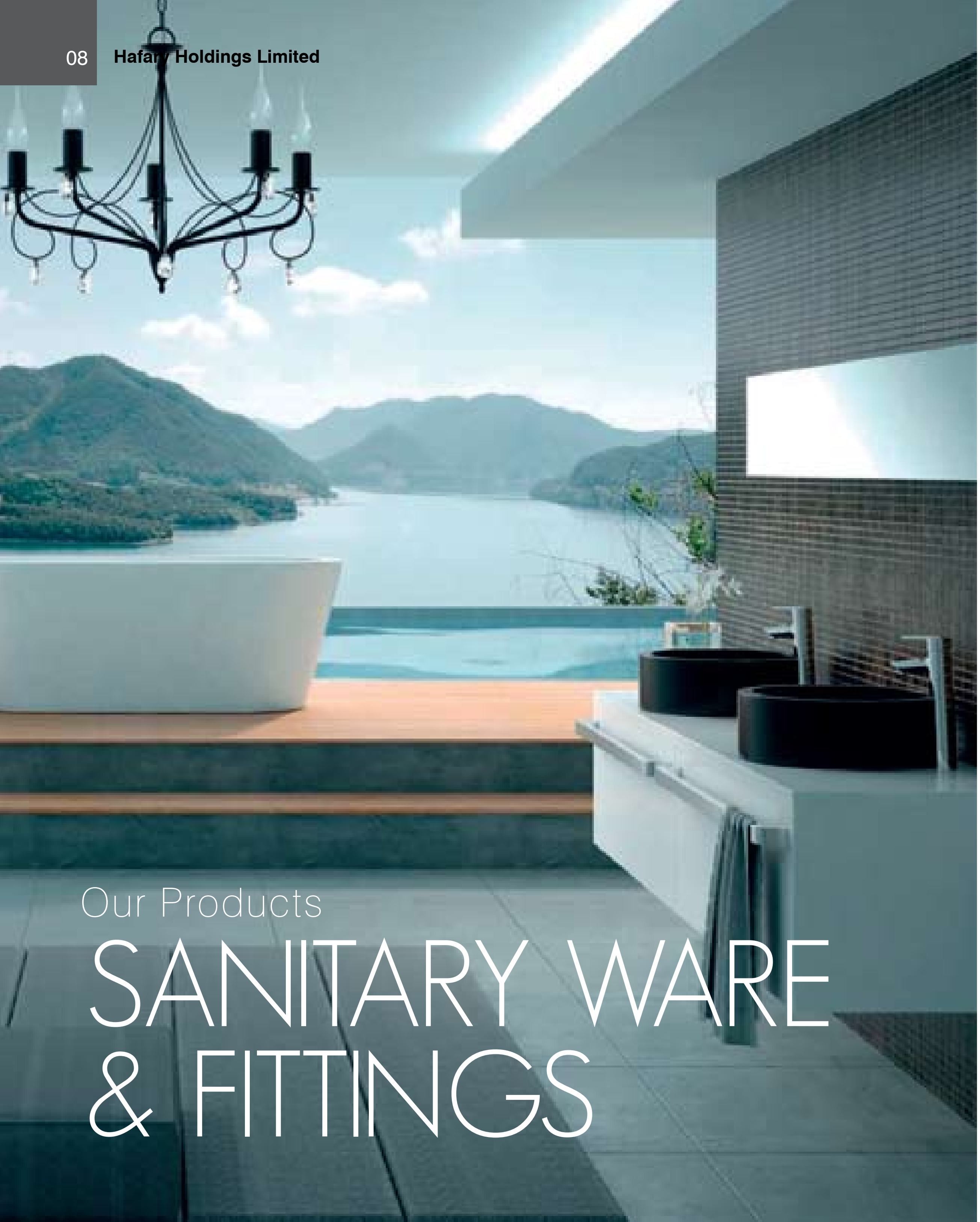
Our Products

WOOD FLOORING

Engineered Timber Flooring • Solid Hardwood Flooring • Laminate Flooring

Berry Floor

Berry Floor is a laminate flooring company located in Menen, Belgium. Established in 1998 by Mr Luc De Clerck, Berry Floor has grown into an important player in the laminate flooring market. Berry Floor products are sold in more than 40 countries all over the world. Berry Floor is also known as a trendsetter with guaranteed quality and service. Armed with a strong research and development department, Berry Floor is able to come up with new developments constantly, thus presenting a collection that incorporates the latest innovations that includes timeless colours alternated with modern decors.



Our Products

SANITARY WARE & FITTINGS

iLife

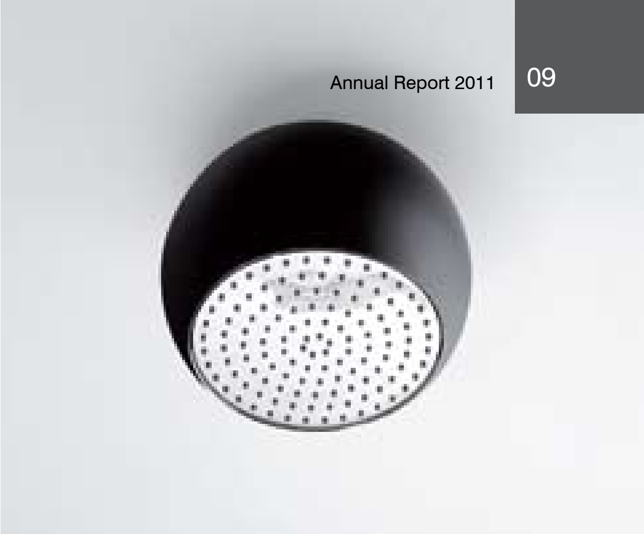
iLife is Hafary's home brand of sanitary fittings. Representing a stylish personality and enriching life, iLife is human oriented and ergonomically friendly. With a constant improvement and continuous innovation, iLife aims to provide customers with the best in quality and service. Being able to enjoy a life with water is one of iLife's driving force and the dedication and persistence to achieve has contributed to the company's brand image of superiority and distinction.

Hansgrohe

Since 1901, Hansgrohe, based in Schiltach in the Black Forest (Germany), has brought forward innovations, set new trends in the bathroom and created new standards in the international bathroom industry. Constantly producing products that would revolutionize the bathroom, Hansgrohe is now an industry leader with countless innovations, awards and 2000 patents. Today, production takes place in 10 manufacturing sites on three different continents and with the company, 3,100 workers. The company strives for excellence when it comes to designing new bath and kitchen products for the Hansgrohe brand and the designer brand Axor. In addition, the company have a true passion for water, the elixir of life and also, environmental protection. Water-saving, energy-saving and resource conservation in manufacturing are what Hansgrohe strives for in their products. The result has been the continuous development of products that are engineered with the environment in mind.

Fima

FIMA, an acronym that stands for Fabbrica Italiana Miscelatori e Accessori (Italian Mixer and Accessories Manufacturing), was established by Carlo Frattini in 1960. Over the years, thanks to the farsightedness and stubbornness of its founder, the company has understood that design means referring to the culture of doing, guided by the accurate analysis of the reality and the constant improvement, which are the prerequisites of high-quality taps and fittings. Within the factory, there is an air of doing things the Italian way, which comes from the union between planning rigors and mediation with history, and between technology and artistic concepts. Together FIMA is able to achieve a product with well defined technical characteristics and with a refined design. The company's identity is clearly expressed also by an extremely stylish bathroom collection – a perfect blend between rigorous design and contemporary trends, between technology and craftsmanship, capable of creating products that stand out for their well-defined technical features as well as their bright personality and unique style. Everything stems from the strong awareness that quality is the result of innovation and design applied to limited production, in which even the tiniest detail of every single piece is carefully examined and perfected.



Bravat

Bravat is known in the industry as a young and innovative company which revitalized a characterless market with its bathroom solution. Bravat's priority is to increase it's visibility with consumers such as interior designers to make great ideas for end user. Bravat design products according to the lifestyle and bathroom culture to satisfy different desires. Bravat Concept always represents the design style of delicacy, eternal and brevity which has been popularly followed by the interior design engineers in the world in the past, and provided the infinite and admirable design work that has perfectly defined the limitless enthusiasm and experience in people's lives.

Pablo

Pablo originates from Britain. With its quality-oriented traditions, excellent workmanship, active technological innovation, user friendly and eco-friendly design concepts, Pablo is able to lead the trend in the kitchenware industry. Designed by European designers, you can see the designers' endless pursuit of perfection in every detail, from material selection, through production, to final inspection in the product. Aimed at perfecting your Kitchen Experience, Pablo takes into account aesthetics and ergonomics, with lines flowing seamlessly with your kitchen and work following function. Featuring reliable performance, great shock, abrasion resistance, ease of use and installation, Pablo is highly sought after by customers all over the world.

"As part of its growth strategy in developing its regional operations, the Group has incorporated two subsidiaries, namely Hafary Vietnam Pte. Ltd. ("HVPL") and Hafary China Pte. Ltd. (HChPL"), to carry out overseas expansion of its business."

Low Kok Ann
Executive Chairman

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors of Hafary Holdings Limited ("Hafary" or the "Group"), it gives me great pleasure in presenting you with the Group's Annual Report for the financial year ended 30 June 2011 ("FY2011"). For the year under review, Hafary recorded sterling results with significant improvements in both the top and bottom lines.

Financial Performance

Group revenue surged by 57.4% to S$60.4 million in FY2011 from S$38.4 million in FY2010. The increase was contributed mainly by Hafary Pte Ltd ("HPL"), the Group's sales arm for tiles and sanitary ware and fittings. The increased demand for the Group's products was driven mainly by the healthy local property market and increased spending power of homeowners as a result of the improved economic climate in Singapore in the last 12 months.

The opening of its third showroom at Tradehub 21 at 18 Boon Lay Way in September 2010 has enhanced the Group's market presence and improving accessibility to its products. This has in turn contributed to the improved financial results in the year under review.

The increased revenue and operations of the Group is also attributed to its increased market profile, a result of ramped up marketing and advertising initiatives during the year.

The Group's other subsidiaries - Surface Project Pte. Ltd. ("SPPL"), Surface Stone Pte. Ltd. ("SSPL") and Wood Culture Pte. Ltd. ("WCPL"), also contributed to the significant revenue growth of the Group.

Performance of Project and General Segments

Both the Group's business segments, Project and General, reported improvements in revenue for FY2011.

Against the backdrop of an increased number of private property launches in the past two to three years, sales from the Project segment, involving the supply of surfacing materials for major property development mainly by SPPL, increased to S$22.6 million in FY2011, representing an increase of 103.9% or S$11.5 million from S$11.1 million recorded in FY2010. The substantial improvement in Project sales reflects the Group's success in securing orders to supply surfacing materials to several notable development projects in the year under review, such as Double Bay Residences and The Regency.

The General segment, involving the supply of surfacing materials for home renovation or small property development, continued to be the leading sales generator, recording revenue of S$37.7 million, which makes up 62.5% of Group revenue.

Profit, Net of Tax
Riding on the back of the significant increase in operations for FY2011, the Group's net profit for the year under review surged by 130.2% from S$3.3 million to S$7.5 million. This represents an increase of S$4.2 million in net profit from the preceding reporting year.

This significant increase in net profit for FY2011 reflects the Group's ability and success in managing costs effectively while riding on the growing demand for its surfacing materials as well as sanitary ware and fittings.

Consequently, net profit attributable to shareholders of the Company increased to S$6.9 million in FY2011 from S$3.1 million in FY2010.

Dividend
In gratitude to our shareholders for the support and confidence in us, the Board is pleased to recommend a final tax-exempt (one-tier) dividend of 0.9 Singapore cent per ordinary share for the financial year ended 30 June 2011, for approval at the forthcoming Annual General Meeting.

Corporate Developments
The significant growth in business achieved in recent years coupled with the anticipated increase in business volume prompted the Group to take active and decisive steps in acquiring additional showroom and storage space. Esteemed shareholders of Hafary approved, in an Extraordinary General Meeting ("EGM") on 22 July 2011, the acquisition of three properties located at Eunos, Changi and Sungei Kadut for commercial and warehousing purposes. The Eunos acquisition will allow the Group to relocate the existing office, showroom and warehouse at Defu to a larger facility at the Eunos property to support the future expansion needs of the Group.

The Changi property is intended for the consolidated warehousing and storage of tiles in one location. Together with the Eunos property, both of these facilities will meet the Group's short-to-medium term warehousing needs.

The Sungei Kadut property will, after renovation, support the Group's operations as its marble-processing plant. Backed by its experience in operating a marble-processing facility, the Sungei Kadut operations will enable the Group to exercise greater control over its marble-processing capabilities, and thus further improve operational efficiency.

The estimated total acquisition cost for the above three properties, including purchase and development costs, amounted to approximately S$43.2 million.

During the EGM, our esteemed shareholders also approved the development and subsequent disposal of the majority of the freehold property at 79 Aljunied Road at a minimum reserve price of S$46.9 million. The Group has since received the requisite approvals from the relevant authorities to commence the sale of space in the development property in September 2011.

Outlook
Despite the increasingly grim global economic outlook and heightened volatility in the financial markets, the Singapore economy appears to be staying its course and showing moderate growth. Nevertheless, the Group will continue to strengthen its leading position as the preferred one-stop provider for surfacing materials and sanitary ware and fittings. Alongside this, the Group will also continue to expand and enhance its wide range of products offerings in sync with the latest design trends that appeal to the Singapore market, while exploring opportunities to offer complementary products to its customers at competitive prices.

Although the private property launches may have slowed down, the Group is confident of growing its business in other segments . By leveraging on its position of market leadership, the Group is poised to capitalise on the increased opportunities presented by the mass market segment. In particular, the Group hopes to capture greater market share, especially in the public housing arena, with 25,000 HDB Build-to-order ("BTO") flats on track for completion by end of 2011 and 25,000 BTO flats to be launched in 2012 in new towns and matured estates.*

As part of its growth strategy in developing its regional operations, the Group has incorporated two subsidiaries, namely Hafary Vietnam Pte. Ltd. ("HVPL") and Hafary China Pte. Ltd. ("HChPL"), to carry out overseas expansion of its business. Having envisaged expansion into the Vietnam market during the Group's Initial Public Offering of its shares on Catalist in December 2009, HVPL will act as the Special Purpose Vehicle ("SPV") to hold investments in Vietnam. China was subsequently identified as a potential market. HChPL will thus act as the SPV for the Group's expansion and acquisition of assets in China when the opportunities arise.

The business outlook for the current reporting year ("FY2012") remains optimistic, given the Group's stronghold in the Singapore market. Barring any unforeseen circumstances, the Group is confident of building on its firm business foundation and hopes to continue to perform credibly in the foreseeable future.

Acknowledgements
I would like to take this opportunity to express my most sincere gratitude to my fellow Directors for your guidance and leadership. To all our shareholders, loyal customers, associates, Management and employees, your commitment and invaluable support over the years have played an instrumental role in Hafary's success today, and for this, we are most grateful. In the current year and beyond, we aim to take our business to greater heights and in turn, enhance shareholder value.

* Source: News release dated 15 August 2011 on Housing and Development Board website

Board of Directors

Low Kok Ann
Executive Chairman

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

Low See Ching
Executive Director and CEO

Low See Ching is our **Executive Director and CEO** and is responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies. He is also in charge of our General sales and marketing team. He joined our Group in 2000 and rose through the ranks from a sales executive to Executive Director and CEO in 2005. His intimate knowledge of surfacing materials and its market enable him to develop effective sales techniques and strategies which are keenly applied by sales and marketing staff. Mr Low graduated with a Bachelor of Accountancy degree from the Nanyang Technological University, Singapore in 1999. Prior to joining our Group, Mr Low was a dealer with Fraser Securities Pte Ltd.

Ong Beng Chye
Lead Independent Director

Ong Beng Chye is currently a director of Appleton Global Private Limited, a business management and consultancy services firm. He is also presently the lead independent director and chairman of the audit committee of Kitchen Culture Holdings Limited, and a non-executive director of Heatec Jietong Holdings Ltd, both listed on Catalist. He has more than 20 years of experience in the financial sector. Mr Ong obtained a Bachelor of Science with Honours degree from The City University, London in 1990. He is a fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Certified Public Accountants of Singapore.

Terrance Tan Kong Hwa
Independent Director

Terrance Tan Kong Hwa was appointed as an **Independent Director** of our Company on 10 November 2009. He is also an independent director of Teho International Inc Ltd, listed on Catalist and Consciencefood Holding Ltd, listed on the SGX-ST. Mr Tan has more than 16 years of experience in the banking and private equity / venture capital industry, holding various positions within DBS Bank Group and Standard Chartered Bank. He is currently a Partner/Director of Providence Capital Management Pte Ltd, a private equity fund management and consultancy firm that he co-founded in 2007. From 2006 to 2007, he was with Rotol Singapore Limited as its Chief Investment Officer and was responsible for the company's merger and acquisition and investment activities.

Chow Wen Kwan Marcus
Independent Director

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

Key Executives

Tay Eng Kiat Jackson was appointed as Finance Manager in June 2009 and promoted to **Financial Controller** in August 2010. He is in charge of all financial and administrative matters of our Group, including implementing and maintaining our financial and management reporting system. Prior to joining our Group, he was with the Infocomm Development Authority of Singapore ("IDA"), holding the appointment of Finance Manager from 2007 to 2009. Amongst other duties, he was responsible for overseeing the setting up of the financial accounting system of one of IDA's subsidiaries, consolidating, analysing, and reviewing budgets for the IDA group, providing financial analysis on the management reports, and assisting with the statutory audit. From 2005 to 2007, he was a Financial Consultant with E-Trek Solutions Pte. Ltd. where he worked closely with management and a team of programmers on financial system implementation, training and customer support. From 2003 to 2004, he was an accountant with Atria Technologies Pte Ltd. In 2004, he was promoted to Finance Manager of INSPRO Insurance Brokers Pte Ltd. Both companies are subsidiaries of Famous Holdings Pte Ltd. During his time with the Famous Holdings group from 2003 to 2005, he was involved in the full spectrum of accounting and financial duties. He also assisted with management and financial reporting to head office. Prior to that, he worked with SiS Technologies Pte Ltd as a management trainee from 2002 to 2003 and Chio Lim & Associates as an audit assistant in 2002. He graduated with a Bachelor of Accountancy degree (Minor in Marketing) from the Nanyang Technological University, Singapore in 2002. He is a non-practicing member of the Institute of Certified Public Accountants of Singapore.

Goh Keng Boon has been our **Project Director** since 2004 and is also a director and shareholder of our subsidiary, Surface Project Pte. Ltd. He heads our Project sales and marketing team and leads the execution of corporate sales strategies. Having been in the industry since 2002, he has developed a strong relationship with many of our corporate customers. From 2002 to 2003, he was a sales executive with IBP Building Products Pte Ltd. From 2003 to 2004, he was a sales executive with IBP Ceramics Pte. Ltd. During those periods, both companies were suppliers of tiles. He graduated with a Bachelor degree in Building Management from the RMIT University, Australia in 2001.

Koh Yew Seng Mike has over 10 years of experience in the tile industry. He joined our Group in 2008 as our **General Manager** and his responsibilities include overseeing our warehouse and logistics operations and also assisting our CEO with procurement administration. From 2006 to 2008, he was the administrative operation office manager with Bella Building Materials Pte Ltd, a trading company dealing principally with building materials. He was based in Foshan, China to monitor the production of the various suppliers and ensure that shipments were made to their customers located in South East Asia and Europe. From 2005 to 2006, he worked in Vietnam as the Assistant Chief Representative of Pan Asian Water Solutions Limited. He was responsible for setting up a branch office and supervised operations for the company's water treatment projects. From 1994 to 2005, he was a senior administration manager with Soon Bee Huat Trading Pte Ltd, a supplier of tiles. He started as a salesman and after three years was involved in the other aspects of operations such as inventory and logistics management. He attained his General Certificate of Education 'O' Levels in 1977.

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Tay Eng Kiat Jackson, CPA Singapore
Wong Yoen Har, ACIS
(Resigned with effect from 31 August 2011)

REGISTERED OFFICE

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SHARE REGISTRAR

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Singapore Land Tower
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SPONSOR

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77 Robinson Road #21-02
Singapore 068896

AUDITOR

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

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

PRINCIPAL BANKERS

DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

Standard Chartered Bank
6 Battery Road
Singapore 049909

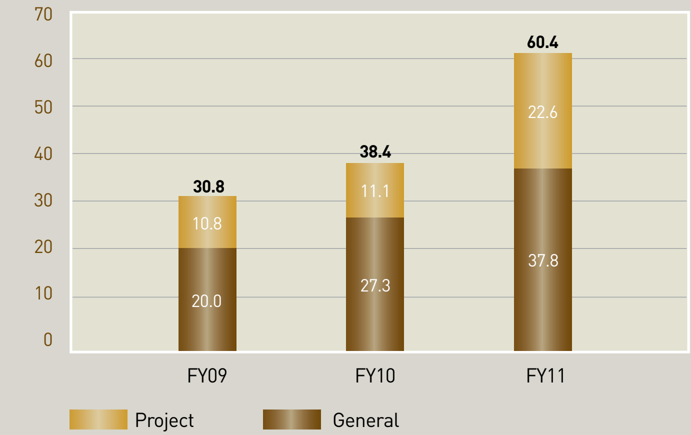
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

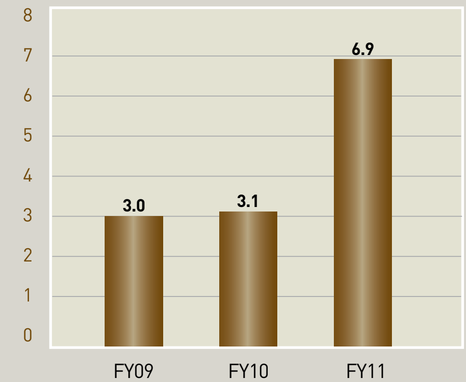
Australia and New Zealand Banking Group Ltd
1 Raffles Place
#42-00 One Raffles Place
Singapore 048616

Financial Highlights

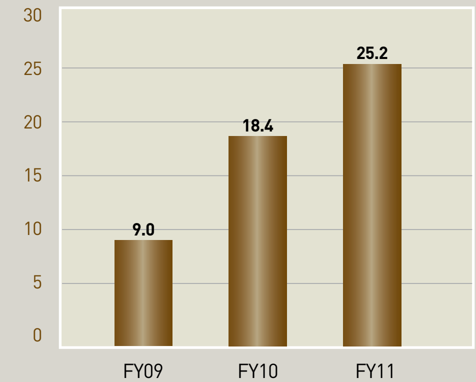
Revenue by Business Segments (S$'million)



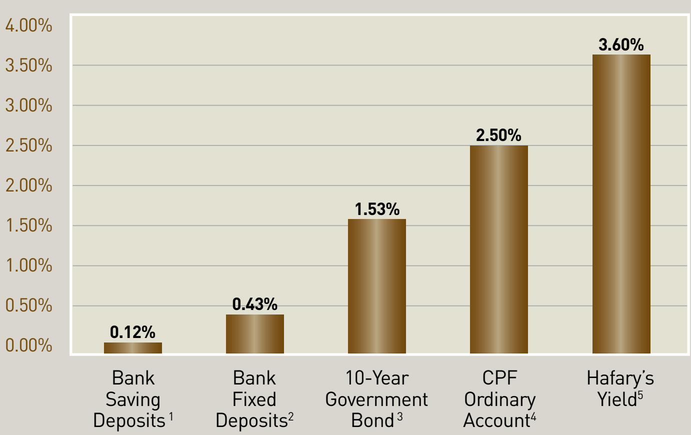
Net Profit Attributable to Shareholders (S$'million)



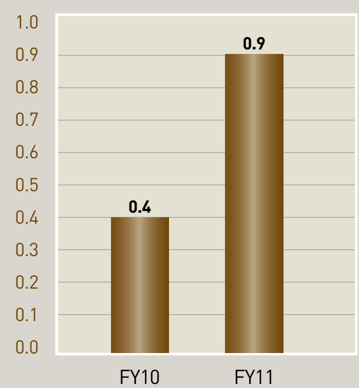
Net Assets (S$'million)



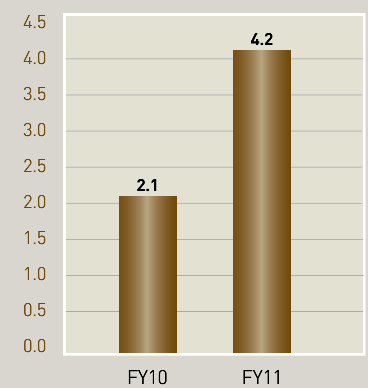
Yield Comparison



Dividend per Share (Cents)



Earnings per Share (Cents)



1 Interest rate for bank saving deposits as at 30 June 2011. Source: MAS website.
2 Interest rate for bank 12-month fixed deposits as at 30 June 2011. Source: MAS website.
3 Singapore Government Securities bond yield as at 9 September 2011. Source: MAS website.
4 Interest paid on Central Provident Fund ordinary account (For balance above $20,000) for 1 October - 31 December 2011. Source: CPF news release on 29 August 2011.
5 Based on proposed dividend of 0.9 Singapore cents for FY2011 and closing price of S$0.25 on 9 September 2011.

Financial Review

Statements of Financial Position

$'000	FY2011	FY2010	FY2009
Total Assets	73,045	38,074	20,007
Total Liabilities	47,859	19,639	10,979
Non-Controlling Interests	1,388	866	799
Equity, Attributable to Owners of Parent	23,798	17,569	8,229
Total Equity	25,186	18,435	9,028
Number of Shares in Issue ('000)	162,500	162,500	130,000
Net Asset Value Per Share	14.6	10.8	5.1 *

* Hafary Holdings Limited was incorporated on 6 October 2009. For comparative purposes, net asset value for the period have been computed based on 162,500,000 shares.

Gearing

$'000	FY2011	FY2010	FY2009
Total Debt	38,735	12,933	7,912
Cash and Cash Equivalents	3,273	5,473	1,837
Net Debt	35,462	7,460	6,075
Net Debt-to-Equity Ratio (times)	1.4	0.4	0.7
Earnings before Interest, Tax and Depreciation	10,477	5,229	4,989
Interest Coverage Ratio (times)	16.0	11.8	12.4

Financial Ratios

	FY2011	FY2010	FY2009
Return on Assets (%)	10.3	8.6	17.2
Return on Equity (%)	29.8	17.7	38.1
Current ratio (times)	1.6	1.9	2.1
Trade receivables turnover days	88	100	80
Inventory turnover days	252	272	197
Trade and bills payables turnover days	240	202	113

Subsequent Developments

There are no significant developments subsequent to the release of the Group's and the company's audited financial results, as announced on 29 August 2011, which would materially affect the Group's and the company's operating and financial performance as at 3 October 2011.

Operations Review



Company Overview

With its business origin going back to 1980, Catalist-listed Hafary Holdings Limited ("Hafary") is today a group of companies that supplies premium tiles, stones, mosaic, wood flooring and sanitary ware to customers in the Singapore market. We supply to two categories of customers, namely, General and Project. Through our strong sourcing and procurement network, we carry a wide variety of tiles from the PRC and Europe (mainly Spain and Italy) and supply to our customers the best and latest product designs at competitive prices.

Our head office and main showroom are located at 15 Defu Avenue 1, while we have two other showrooms, one located at 560 Balestier Road, and the other at Tradehub 21 in 18 Boon Lay Way. Supporting our business are four warehousing facilities located at 5A Defu Lane 8, No.15 Defu Avenue 1, 54/56 Sungei Kadut Loop and 58 Sungei Kadut Street 1. Our head office, three showrooms and four warehousing facilities altogether occupy an aggregate built-in area of approximately 23,000 square metre.

Having been in business for more than 30 years, Hafary has built up an established reputation and track record with customers. Repeat customers constitute approximately 85% of our sales in FY2011. As a leading stockist, we carry a comprehensive range and wide variety of tiles and other surfacing materials. Despite the economic ups and downs in recent years, Hafary has been growing steadily in terms of top and bottomline, an achievement that underscores the strong leadership of a dynamic and committed management team.

FY2011 Results At A Glance

Overall, the Group's top and bottom lines achieved substantial growth, reflecting an increased demand for the Group's products - driven mainly by the robust Singapore property market and increased spending power of homeowners as a result of the improved economic climate in Singapore in the last 12 months. Group revenue increased by 57.4% to S$60.4 million in FY2011 from S$38.4 million in FY2010. The bulk of the revenue increase came from Hafary Pte Ltd, the Group's sales arm for tiles and sanitary ware and fittings. Other subsidiaries, Surface Project Pte. Ltd., Surface Stone Pte. Ltd. and Wood Culture Pte. Ltd., also contributed to the Group's significant revenue growth.

In line with the increase in Group revenue for FY2011, the Group's net profit surged by 130.2% to S$7.5 million from S$3.3 million in the preceding reporting year. This sterling performance in the bottom line in FY2011 reflects the Group's effective cost containment and ability to leverage on the growing demand for its surfacing materials as well as sanitary ware and fittings.

Profit before income tax increased by $4.9 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%.

Operations Review

Both the Group's business segments, Project and General, recorded increases in revenue for FY2011.

Given the increased influx of private property launches in the past two to three years, sales from the Project segment, contributed mainly by Surface Project Pte. Ltd., increased to S$22.6 million in FY2011, representing an increase of 103.9% or S$11.5 million from S$11.1 million recorded in FY2010. The strong improvement in Project sales was underpinned by the Group's success in securing several well-known development projects in the year under review, including Double Bay Residences and The Regency.

The General segment, continued to be the leading sales generator for the Group. Its FY2011 sales of S$37.7 million constitutes 62.5% of Group revenue.

Generally, the increased operations of the Group can also be attributable 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 Tradehub 21 (18 Boon Lay Way) in September 2010.

In October 2010, the Group acquired a freehold land of approximately 2,704 square metre in 79 Aljunied Road, Singapore 389822. The property was initially planned for redevelopment into a six-storey building to house the Group's corporate headquarters as well as showroom space. In view of the acquisition of other properties outlined in the next paragraph and to maintain an acceptable leverage ratio, the management decided to dispose an appropriate number of units in the building. The disposal was approved by shareholders at the Extraordinary Meeting held on 22 July 2011. The Group has commenced disposal of units in the development property after receiving the requisite approvals from the relevant authorities in September 2011. Construction of property has also commenced in September 2011 and is expected to be completed by June 2013.

In the same Extraordinary General Meeting on 22 July 2011, shareholders also approved acquisition of three leasehold properties, namely 105 Eunos Avenue 3 Singapore 409836 (land area of approximately 4,978 square metre), 3 Changi North Street 1 Singapore 498824 (land area of approximately 10,466 square metre) and 18C Sungei Kadut Street 4 Singapore 729066 (land area of approximately 5,191 square metre). These properties will be redeveloped to meet the Group's operational and warehousing needs.

Our Showrooms

DEFU showroom

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

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

BALESTIER showroom

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

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

TRADEHUB 21 showroom

18 Boon Lay Way
#01-132 Tradehub 21
Singapore 609966
Tel : 6570 6265 (3 Lines)
Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg

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

For enquiries on our products, please call 6250 1368 or visit us at www.hafary.com.sg

CORPORATE GOVERNANCE STATEMENT

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

BOARD MATTERS

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

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

The responsibilities of the Board include:

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

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

CORPORATE GOVERNANCE STATEMENT

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

Name of Director	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	2	2	1	1
Attendance				
Mr. Low Kok Ann	2	2*	1*	1*
Mr. Low See Ching	2	2*	1*	1*
Mr. Ong Beng Chye	2	2	1	1
Mr. Terrance Tan Kong Hwa	2	2	1	1
Mr. Chow Wen Kwan Marcus	2	2	1	1

* Attended via invitation.

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

BOARD COMPOSITION AND GUIDANCE

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

BOARD MEMBERSHIP AND BOARD PERFORMANCE

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

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

Nominating Committee (the "NC")

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

Our NC is responsible for:

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

ACCESS TO INFORMATION

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

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

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

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

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

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

REMUNERATION MATTERS

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

LEVEL AND MIX OF REMUNERATION

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

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

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

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

DISCLOSURE OF REMUNERATION

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

A breakdown showing the level and mix of each Director's remuneration for the financial year ended 30 June 2011 is as follows:

Remuneration Band & Name of Director	Director's Fee (%)	Salary (%)	Bonus (%)	Total (%)
S$500,000 and above				
Mr. Low See Ching	-	44	56	100
Below S$250,000				
Mr. Low Kok Ann	-	86	14	100
Mr. Ong Beng Chye	100	-	-	100
Mr. Terrance Tan Kong Hwa	100	-	-	100
Mr. Chow Wen Kwan Marcus	100	-	-	100

CORPORATE GOVERNANCE STATEMENT

Remuneration of key executives (who are not Directors)* for the financial year ended 30 June 2011 as follows:

Remuneration Band & Name of Key Executive	Salary (%)	Bonus (%)	Total (%)
Below S$250,000			
Mr. Tay Eng Kiat Jackson	80	20	100
Mr. Koh Yew Seng Mike	82	18	100
Mr. Goh Keng Boon	79	21	100

* As at 30 June 2011, other than the three key executives disclosed above, there are no other key executives in office. This is in accordance with the disclosure contained in the "Financial Report: Note 3.3 Key Management Compensation" section.

There are no employees who are immediate family members of a Director and/or a substantial shareholder whose remuneration exceeded S$150,000 during the financial year ended 30 June 2011.

Currently, the Company does not have any employee share schemes.

ACCOUNTABILITY AND AUDIT

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

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

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

Audit Committee

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

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

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

CORPORATE GOVERNANCE STATEMENT

The AC meets periodically to perform the following functions:

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

The AC has reviewed all non-audit services provided by the external auditors. The aggregate amount of fees paid/payable to the external auditors for the financial year 30 June 2011 for audit and non-audit services are S$140,000 and S$70,000 respectively.

The AC, having considered the nature of services rendered and related charged by the external auditors, is satisfied that the independence of the external auditors is not impaired.

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

The Company has complied with Rules 712 and 715 of the Listing Manual as the subsidiaries are audited by RSM Chio Lim LLP.

INTERNAL CONTROL

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

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

Based on the work performed by Internal Audit as well as the statutory audit conducted by the external auditors, the Board is satisfied that the operational and financial controls are adequate to meet the needs of the Group in its current business environment.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

INTERNAL AUDIT

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

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

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

CORPORATE GOVERNANCE STATEMENT

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

DEALING IN SECURITIES

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

CORPORATE GOVERNANCE STATEMENT

INTERESTED PERSON TRANSACTIONS

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000
Rental paid to Ascender Investment [1]	290	116	-	-
Sales to Hume Construction Pte. Ltd.	428	-	-	-
Sales to Oxley Construction Pte. Ltd.	316	-	-	-

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

MATERIAL CONTRACTS

Except as disclosed in Interested Person Transactions, there is no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any Director or controlling shareholder during the financial year ended 30 June 2011.

USE OF PROCEEDS FROM SHARE PLACEMENT

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

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

NON-SPONSPOR FEES

In compliance with Rule 1204(20) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor, Collins Stewart Pte. Limited, for the financial year ended 30 June 2011.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the reporting year ended 30 June 2011.

1. Directors at Date of Report

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

Low Kok Ann
Low See Ching
Ong Beng Chye
Terrance Tan Kong Hwa
Chow Wen Kwan Marcus

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

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

3. Directors' Interests in Shares and Debentures

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

Name of directors and companies in which interest are held	**At beginning of the reporting year**	**At end of the reporting year**
The company	**Number of shares of no par value**	
Low Kok Ann	37,700,000	37,700,000
Low See Ching	66,300,000	68,150,000

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

The directors' interests as at 21 July 2011 were the same as those at the end of the reporting year.

DIRECTORS' REPORT

4. Contractual Benefits of Directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

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

5. Options to Take Up Unissued Shares

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

6. Options Exercised

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

7. Unissued Shares Under Option

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

8. Independent Auditors

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

9. Audit Committee

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

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

DIRECTORS' REPORT

9. Audit Committee (Continued)

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

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the company's internal accounting controls, and their report on the financial statements and the assistance given by the company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the annual financial statements of the group and the company prior to their submission to the board of directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited).

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

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

On Behalf of the Directors

Low Kok Ann
Director

Low See Ching
Director

29 August 2011

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 30 June 2011 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and

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

The board of directors approved and authorised these financial statements for issue.

On Behalf of the Directors

Low Kok Ann
Director

Low See Ching
Director

29 August 2011

INDEPENDENT AUDITORS' REPORT

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

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

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
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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Revenue	5	60,354	38,354
Other Items of Income			
Other Credits	6	491	260
Interest Income		1	1
Items of Expense			
Changes in Inventories of Goods Held for Resale		7,385	7,048
Purchases and Related Costs		(43,041)	(30,192)
Employee Benefits Expense	7	(7,688)	(4,759)
Depreciation Expense	14	(744)	(537)
Impairment Losses	8	(1,008)	(316)
Finance Costs	9	(653)	(445)
Other Expenses	10	(5,935)	(3,747)
Other Charges	6	(81)	(1,419)
Profit Before Income Tax		9,081	4,248
Income Tax Expense	11	(1,580)	(990)
Profit, Net of Tax and Total Comprehensive Income for the Year		7,501	3,258
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent		6,873	3,061
- Non-Controlling Interests		628	197
		7,501	3,258
		Cents	**Cents**
Basic and Diluted Earnings Per Share	12	4.2	2.1

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Group 2011 $'000	Group 2010 $'000 (Restated)	Company 2011 $'000	Company 2010 $'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	14	5,031	4,193	339	1
Development Property	15	22,954	–	–	–
Other Assets, Non-Current	16	1,980	–	–	–
Investments in Subsidiaries	17	–	–	9,239	9,239
Total Non-Current Assets		29,965	4,193	9,578	9,240
Current Assets					
Inventories	18	23,964	16,902	–	–
Trade and Other Receivables	19	13,993	10,347	8,411	6,067
Other Assets	20	1,850	1,159	62	38
Cash and Cash Equivalents	21	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

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Group 2011 $'000	Group 2010 $'000 (Restated)	Company 2011 $'000	Company 2010 $'000
EQUITY AND LIABILITIES					
Equity					
Share Capital	22	14,508	14,508	14,508	14,508
Capital Reserve	24	–	–	–	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	11	243	96	–	–
Other Financial Liabilities	25	20,103	1,463	221	–
Total Non-Current Liabilities		20,346	1,559	221	–
Current Liabilities					
Provision	26	265	255	–	–
Income Tax Payable		1,409	957	4	–
Trade and Other Payables	27	7,021	4,938	586	215
Derivative Financial Instruments	28	63	460	–	–
Other Financial Liabilities	25	18,632	11,470	56	–
Other Liabilities	29	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

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2011

	Total Equity $'000	Attributable to Parent Subtotal $'000	Share Capital $'000	Retained Earnings $'000	Non-Controlling Interests $'000
Group:					
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)
Dividends Paid (Note 13)	(650)	(650)	–	(650)	–
Dividends Paid to Non-Controlling Interests	(90)	–	–	–	(90)
Closing 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 of Restructuring Exercise (Note 23)	(8,229)	(8,229)	(500)	(7,729)	–
Issue of Share on Incorporation Date	–*	–*	–*	–	–
Issue of Share for Acquisition of Subsidiaries	8,229	8,229	8,229	–	–
Initial Public Offering:					
- Issue of Shares	6,500	6,500	6,500	–	–
- Share Issue Expenses	(221)	(221)	(221)	–	–
	6,279	6,279	6,279	–	–
Total Comprehensive Income for the Year	3,258	3,061	–	3,061	197
Capital Contribution by Non-Controlling Interests	20	–	–	–	20
Dividends Paid to Non-Controlling Interests	(150)	–	–	–	(150)
Closing Balance at 30 June 2010	18,435	17,569	14,508	3,061	866

* Amount less than $1,000.

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2011

	Total Equity $'000	Share Capital $'000	Retained Earnings $'000	Capital Reserve $'000
Company:				
Current Year:				
Opening Balance at 1 July 2010	16,393	14,508	876	1,009
Dividends Paid (Note 13)	(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 Share for Acquisition of Subsidiaries	9,238	8,229	–	1,009
Initial Public Offering:				
- Issue of Shares	6,500	6,500	–	–
- Share Issue Expenses	(221)	(221)	–	–
	6,279	6,279	–	–
Total Comprehensive Income for the Year	876	–	876	–
Closing Balance at 30 June 2010	16,393	14,508	876	1,009

* Amount less than $1,000.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2011

	2011 $'000	2010 $'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 Disposals of Property, Plant and Equipment	(54)	(33)
Interest Income	(1)	(1)
Interest Expense	653	445
Fair Value Loss on Derivative Financial Instruments – (Reversal)/ Loss	(397)	460
Operating Cash Flows Before Changes in Working Capital	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		
Purchase of Property, Plant and Equipment (Note 21)	(1,271)	(3,354)
Purchase of Development Property	(22,700)	–
Advance Payments for Acquisition of Properties	(1,980)	–
Proceeds from Disposal of Property, Plant and Equipment	139	75
Interest Income Received	1	1
Net Cash Flows Used in Investing Activities	(25,811)	(3,278)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2011

	2011 $'000	2010 $'000
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 to Banks	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)
Interest Expense Paid	(907)	(445)
Acquisition of Additional Interest in a Subsidiary	(10)	–
Issue of Shares	–	6,279
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	5,229	1,806
Cash and Cash Equivalents, Ending Balance (Note 21A)	3,273	5,229

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

NOTES TO THE FINANCIAL STATEMENTS
30 June 2011

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollar and they cover the company and its subsidiaries.

The board of directors approved and authorised these financial statements for issue on 29 August 2011.

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

The principal activities of the subsidiaries are described in the Note 17 to the financial statements below.

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

2. Summary of Significant Accounting Policies

Accounting Convention

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

Basis of Presentation

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

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation of the Financial Statements

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

Segment Reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Subsidiaries

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

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

Business Combinations

Business combinations are accounted for by applying the acquisition method. There were none during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Non-controlling interests

The non-controlling interests in the net assets and net results of a consolidated subsidiary are shown separately in the appropriate components of the consolidated financial statements. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Foreign Currency Transactions

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

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. The functional currency of all subsidiaries in the group is Singapore dollar.

Revenue Recognition

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Employee Benefits

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

Income Tax

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

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

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

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

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

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

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

Development Property

A development property is property being constructed or developed for sale. The cost of property under development comprises specifically identified costs, including land acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable.

Development property is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to completion and related selling expenses. Revenue and costs on development property is recognised when significant risks and rewards of ownership are transferred to the buyer.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Leases

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

Impairment of Non-Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Inventories

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

Financial Assets

Initial recognition and measurement and derecognition:

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

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

Subsequent measurement:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

Subsequent measurement (Continued):

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

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

Cash and Cash Equivalents

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

Hedging

The entity is exposed to currency and interest rate risks. The policy is to reduce currency and interest rate exposures through derivatives and other hedging instruments. From time to time, there may be borrowings and foreign exchange arrangements or interest rate swap contracts or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the financial assets and liabilities.

These arrangements are not used for trading or speculative purposes. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in profit or loss. The derivatives and other hedging instruments used are described below in the notes to the financial statements.

Derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Financial Liabilities

Initial recognition and measurement and derecognition:

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

Subsequent measurement:

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

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

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

Financial Guarantees

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

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

Equity

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Government Grants

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

Critical Judgements, Assumptions and Estimation Uncertainties

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

<u>Net realisable value of inventories</u>:
A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of the group's inventories at the end of the reporting year was $23,964,000 (2010: $16,902,000).

<u>Allowance for doubtful trade accounts:</u>
An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount of the group's trade receivables at the end of the reporting year was $13,515,000 (2010: $9,967,000)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

2. Summary of Significant Accounting Policies (Continued)

Critical Judgements, Assumptions and Estimation Uncertainties (Continued)

Allowance for rebates to customers:

The group grants rebates its customers who make prompt payments within the credit period. A related provision is made for these customers' rebates after taking into account the historical information, as well as recent trends that might suggest the past information may differ from future rebates to be granted. The carrying amount of provision for customers' rebates at the end of the reporting year was $265,000 (2010: $255,000).

3. Related Party Relationships and Transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group; (ii) One entity is an associate or joint venture of the other entity; (iii) Both entities are joint ventures of the same third party; (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) The entity is controlled or jointly controlled by a person identified in (a); (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The ultimate controlling parties are Low Kok Ann and Low See Ching.

#3.1 Related companies:

Related companies in these financial statements include the members of the company's group of companies.

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

3. Related Party Relationships and Transactions (Continued)

#3.2 Other related parties:

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

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

Significant related party transactions:

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

	Group	
	2011	**2010**
	$'000	**$'000**
Rental expense	290	116

#3.3 Key management compensation:

	Group	
	2011	**2010**
	$'000	**$'000**
Salaries and other short-term employee benefits	1,253	945

The above amount is included under employee benefits expense. Included in the above amount are the following items:

	Group	
	2011	**2010**
	$'000	**$'000**
Remuneration of directors of the company	715	497
Fees to directors of the company	100	80

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

NOTES TO THE FINANCIAL STATEMENTS
30 June 2011

3. Related Party Relationships and Transactions (Continued)

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

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

	Company	
	2011	2010
	$'000	$'000
Other receivables from subsidiaries:		
Balance at beginning of the year	5,617	–
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	1,400	3,317
Amount paid in and settlement of liabilities on behalf of the company	(1,289)	–
Dividends receivable	1,500	2,300
Balance at end of the year (Note 19)	7,228	5,617

	Group	
	2011	2010
	$'000	$'000
Other payables to directors:		
Balance at beginning of the year	(250)	(200)
Settlement of liabilities on behalf of the company	(90)	(50)
Amounts paid out	330	–
Balance at end of the year (Note 27)	(10)	(250)

4. Financial Information by Operating Segments

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

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

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

The products of the operating segments comprise of ceramic tiles, stone and wood furnishings for residential and commercial properties.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

4. Financial Information by Operating Segments (Continued)

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

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

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

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

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

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

The following tables illustrated the information about the reportable segment profit or loss, assets and liabilities:

4B. Profit or Loss from Continuing Operations and Reconciliations

	General $'000	Project $'000	Unallocated $'000	Group $'000
2011:				
Revenue by Segment:				
Total revenue by segment	37,732	22,590	32	60,354
Recurring EBITD	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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

4. Financial Information by Operating Segments (Continued)

4B. Profit or Loss from Continuing Operations and Reconciliations (Continued)

	General $'000	Project $'000	Unallocated $'000	Group $'000
2010:				
Revenue by Segment:				
Total revenue by segment	27,219	11,078	57	38,354
Recurring EBITD	4,447	1,672	45	6,164
Initial Public offer expense	–	–	(934)	(934)
Finance costs	(445)	–	–	(445)
Depreciation expense	(500)	(37)	–	(537)
ORBIT				4,248
Income tax expense				(990)
Profit, net of tax				3,258

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

4C. Assets and Reconciliations

	General $'000	Project $'000	Unallocated $'000	Group $'000
Total group assets:				
2011	36,457	13,571	23,017	73,045
2010	26,759	10,012	1,303	38,074

4D. Liabilities and Reconciliations

	General $'000	Project $'000	Unallocated $'000	Group $'000
Total group liabilities:				
2011	29,493	648	17,718	47,859
2010	12,511	7,128	–	19,639

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

4. Financial Information by Operating Segments (Continued)

4E. Other Material Items and Reconciliations

	General $'000	Project $'000	Unallocated $'000	Group $'000
Impairment of assets (reversal):				
2011	616	392	–	1,008
2010	323	(5)	(2)	316
Expenditure for non-current assets:				
2011	1,247	44	23,330	24,621
2010	3,363	190	2	3,555

4F. Geographical Information

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

	Revenue		Non-Current Assets	
	2011 $'000	2010 $'000	2011 $'000	2010 $'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.

4G. Information About Major Customers

There was no customer with sales transactions of over 10% of the group's revenue during the reporting year (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

5. Revenue

	Group	
	2011	2010
	$'000	$'000
Sale of goods	60,323	38,297
Rental income	6	57
Other income	25	–
	60,354	38,354

6. Other Credits and (Other Charges)

	Group	
	2011	2010
	$'000	$'000
Foreign exchange adjustment losses, net	(81)	(25)
Fair value loss on derivative financial instruments – reversal/ (loss)	397	(460)
Commission income	–	20
Compensation income	7	–
Gain on disposal of property, plant and equipment	54	33
Initial Public Offering expenses	–	(934)
Government grant income from Jobs Credit Scheme	8	114
Sponsorships received	25	93
Net	410	(1,159)
Presented in profit or loss as:		
Other Credits	491	260
Other Charges	(81)	(1,419)
Net	410	(1,159)

7. Employee Benefits Expense

	Group	
	2011	2010
	$'000	$'000
Employee benefits expense including directors' remuneration:		
Salaries, bonuses and other short-term benefits	6,937	4,391
Contributions to defined contribution plan	751	368
Total employee benefits expense	7,688	4,759

NOTES TO THE FINANCIAL STATEMENTS
30 June 2011

8. Impairment Losses

	Group	
	2011 $'000	2010 $'000
Allowance for impairment of inventories	324	176
Allowance for impairment of trade receivables, net	640	141
Bad debts written off – trade receivables	45	1
Bad debts recovered – other receivables	(1)	(2)
Total impairment losses	1,008	316

9. Finance Costs

	Group	
	2011 $'000	2010 $'000
Interest expense on:		
- bank loans	137	188
- bill payables	500	235
- finance lease liabilities	16	22
Total finance costs	653	445

10. Other Expenses

The major components include the following:

	Group	
	2011 $'000	2010 $'000
Advertising	170	47
Casual labour	104	50
Commission	586	252
Entertainment and refreshment	186	117
Hire of equipment and motor vehicle	167	48
Legal and Professional fee	413	160
Rental of premises	1,588	1,185
Repair and maintenance	233	71
Staff welfare	162	78
Transportation	400	262
Upkeep of forklifts	106	49
Upkeep of motor vehicles	490	304

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

11. Income Tax Expense

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

	Group	
	2011	**2010**
	$'000	**$'000**
Current tax expense:		
Current tax expense	1,401	901
Under adjustments in respect of prior periods	32	24
	1,433	925
Deferred tax expense:		
Deferred tax expense	147	65
Total income tax expense	1,580	990

The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2010: 17%) to profit before income tax as a result of the following differences:

	Group	
	2011	**2010**
	$'000	**$'000**
Profit before income tax	9,081	4,248
Income tax expense at the above rate	1,544	722
Not deductible items	89	289
Tax exemptions	(86)	(57)
Under adjustments to current tax in respect of prior periods	32	24
Deferred tax assets valuation (reversal)/allowance	(20)	8
Other minor items less than 3% each	21	4
Total income tax expense	1,580	990

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

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

	Group	
	2011	**2010**
	$'000	**$'000**
Excess of net book value of property, plant and equipment over tax values	147	65

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

11. Income Tax Expense (Continued)

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

	Group	
	2011	2010
	$'000	$'000
Deferred tax assets liabilities recognised in profit or loss:		
Excess of net book value of property, plant and equipment over tax values	243	96

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

12. Basic and Diluted Earnings Per Share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2011	2010
	$'000	$'000
Numerators: Earnings attributable to equity	6,873	3,061
	'000	'000
Denominators: Weighted average number of equity shares	162,500	148,958

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

13. Dividends on Equity Shares

	Group	
	2011	2010
	$'000	$'000
Final tax exempt (1-tier) dividend paid of 0.4 cent per share	650	–

In respect of the current reporting year, the directors propose that a final dividend of 0.9 cent per share with a total of $1,463,000 to be paid to the shareholders after the forthcoming annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2011 is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

14. Property, Plant and Equipment

Group	Leasehold Building $'000	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost:				
At 1 July 2009	–	1,678	1,230	2,908
Additions	2,502	731	322	3,555
Disposals	–	(17)	(173)	(190)
At 30 June 2010	2,502	2,392	1,379	6,273
Additions	–	1,115	552	1,667
Disposals	–	(17)	(226)	(243)
At 30 June 2011	2,502	3,490	1,705	7,697
Accumulated depreciation:				
At 1 July 2009	–	930	760	1,690
Depreciation for the year	111	218	208	537
Disposals	–	(3)	(144)	(147)
At 30 June 2010	111	1,145	824	2,080
Depreciation for the year	190	333	221	744
Disposals	–	(4)	(154)	(158)
At 30 June 2011	301	1,474	891	2,666
Net book value:				
At 1 July 2009	–	748	470	1,218
At 30 June 2010	2,391	1,247	555	4,193
At 30 June 2011	2,201	2,016	814	5,031

NOTES TO THE FINANCIAL STATEMENTS

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14. Property, Plant and Equipment (Continued)

Company	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost:			
At date of incorporation	–	–	–
Additions	2	–	2
At 30 June 2010	2	–	2
Additions	–	375	375
At 30 June 2011	2	375	377
Accumulated depreciation:			
At date of incorporation	–	–	–
Depreciation for the year	1	–	1
At 30 June 2010	1	–	1
Depreciation for the year	–	37	37
At 30 June 2011	1	37	38
Net book value:			
At date of incorporation	–	–	–
At 30 June 2010	1	–	1
At 30 June 2011	1	338	339

The group's leasehold building is mortgaged for bank facilities (Note 25A).

Certain items are under finance lease agreements (Note 25E).

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15. Development Property

	Group	
	2011	**2010**
	$'000	**$'000**
At cost:		
At beginning of the year	–	–
Amount incurred during the year	22,954	–
At end of the year	22,954	–
Total interest expense capitalised during the year	254	–

On 11 October 2010, the group acquired a freehold land located at 79 Aljunied Road, Singapore 389822 (the "Aljunied Property").

At an Extraordinary General Meeting held on 22 July 2011, the company obtained the shareholders' approval to build a six-storey industrial building on the Aljunied Property. After the construction, the company will sell 80% of the space in the building as well as the Aljunied Property. The remaining space will be retained by the group to be used as a showroom. In the event market conditions for the sale of the majority of the space in the building at the Aljunied Property are not favourable, the group will likely rent out the available space in the building in the interim until market conditions improve.

The purchase consideration of the Aljunied Property of $22,700,000, together with the related stamp duty and transaction costs are classified as "development property" in the consolidated statement of financial position.

The Aljunied Property is mortgaged to secure bank borrowing facilities (Note 25B). The interest expense capitalised in the development property is at 2.19% (2010: Nil) per annum of the drawdown loan amount.

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16. Other Assets, Non-Current

	Group	
	2011	**2010**
	$'000	**$'000**
Advance payments for acquisition of properties	1,980	–

On 1 April 2011, a subsidiary signed an option to acquire 105 Eunos Avenue 3, Singapore 409836 (Lot 2372V of Mukim 23) for a cash consideration of $9,800,000.

On 12 April 2011, a subsidiary signed an option to acquire 3 Changi North Street 1, Singapore 498824 (Lot 4016P of Mukim 31) for a cash consideration of $10,000,000.

The above acquisitions were approved by the shareholders of the company in an Extraordinary General Meeting held on 22 July 2011.

17. Investments in Subsidiaries

	Company	
	2011	**2010**
	$'000	**$'000**
Unquoted shares at cost	9,239	9,239
Movements during the year:		
Cost at beginning of the year	9,239	–
Additions	–	9,239
Cost at end of the year	9,239	9,239
Net book value of subsidiaries	17,370	11,511

NOTES TO THE FINANCIAL STATEMENTS

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17. Investments in Subsidiaries (Continued)

The subsidiaries held by the company are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in the books of the company		Equity held by group	
	2011	2010	2011	2010
	$'000	$'000	%	%
Hafary Pte Ltd Singapore Importer and dealer of building materials	9,239	9,239	100	100
Held through Hafary Pte Ltd:				
Surface Project Pte. Ltd. Singapore Distributor and wholesale of building materials			70	70
Surface Stone Pte. Ltd. Singapore Dealer of stones for home furnishing			90	80
Wood Culture Pte. Ltd. Singapore Dealer of wood for home furnishing			80	80
Hafary Centre Pte. Ltd. Singapore (Incorporated on 9 December 2010) General warehousing			100	–

The subsidiaries are audited by RSM Chio Lim LLP, a member firm of RSM International.

During the reporting year, Hafary Pte Ltd acquired an additional 10% interest in Surface Stone Pte. Ltd. from a non-controlling interest for a consideration of $10,000.

NOTES TO THE FINANCIAL STATEMENTS

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18. Inventories

	Group 2011 $'000	Group 2010 $'000
Goods for resale	23,964	16,902
Inventories are stated after allowance as follows:		
Balance at beginning of the year	333	157
Charged to profit or loss included in impairment losses	324	176
Balance at end of the year	657	333

No inventory is pledged as security for liabilities.

19. Trade and Other Receivables

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade receivables:				
Outside parties	14,602	10,479	1	–
Less: Allowance for impairment	(1,087)	(512)	–	–
Subsidiary (Note 3)	–	–	1,182	450
Subtotal	13,515	9,967	1,183	450
Other receivables:				
Subsidiaries (Note 3)	–	–	7,228	5,617
Staff loans	44	46	–	–
Refundable deposits	390	294	–	–
Others	44	40	–	–
Subtotal	478	380	7,228	5,617
Total trade and other receivables	13,993	10,347	8,411	6,067
Movements in above allowance:				
Balance at beginning of the year	512	402	–	–
Charged to profit or loss included in impairment losses	640	141	–	–
Bad debts written-off	(65)	(31)	–	–
Balance at end of the year	1,087	512	–	–

NOTES TO THE FINANCIAL STATEMENTS

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20. Other Assets

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Advance payments to suppliers	1,156	925	–	–
Prepayments	678	107	62	38
Deposits to secure services	16	127	–	–
	1,850	1,159	62	38

21. Cash and Cash Equivalents

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not restricted in use	3,273	5,229	112	1,263
Cash pledged for bank facilities [#a]	–	244	–	–
Cash at end of the year	3,273	5,473	112	1,263

The interest earning balances are not significant.

#a. These are amounts held by bankers to cover the bank facilities provided.

21A. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows:

	Group	
	2011	2010
	$'000	$'000
Amount as shown above	3,273	5,473
Cash restricted in use over 3 months	–	(244)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	3,273	5,229

21B. Non-Cash Transactions:

During the year, motor vehicles with a total cost of $396,000 (2010: $200,000) were acquired by means of finance leases.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

22. Share Capital

	Number of shares issued '000	Share capital $'000
Group:		
Ordinary shares of no par value:		
Balance at 1 July 2009 [(a)]	500	500
Effect of Restructuring Exercise [(a)]	(500)	(500)
Shares issued pursuant to the Restructuring Exercise (Note 23)	130,000	8,229
Issue of shares pursuant to the Initial Public Offering exercise	32,500	6,500
Share issue expenses	–	(221)
Balance at 30 June 2010 and 30 June 2011	162,500	14,508
Company:		
Ordinary shares of no par value:		
Issue of shares on date of incorporation	–*	–*
Shares issued pursuant to the Restructuring Exercise (Note 23)	130,000	8,229
Issue of shares pursuant to the Initial Public Offering exercise	32,500	6,500
Share issue expenses	–	(221)
Balance at 30 June 2010 and 30 June 2011	162,500	14,508

* Amount less than $1,000.

(a) The company issued ordinary shares to the existing shareholders as consideration for the acquisition of their equity interests in certain group entities as part of the restructuring initiative undertaken for the company's Initial Public Offer exercise. The share capital represents the share capital of the subsidiaries prior to the Restructuring Exercise.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

22. Share Capital (Continued)

Capital management:

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

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

	Group	
	2011	**2010**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including finance lease liabilities	38,735	12,933
Less: Cash and cash equivalents	(3,273)	(5,473)
	35,462	7,460
Adjusted capital:		
Total equity	25,186	18,435
Debt-to-adjusted capital ratio	140.8%	40.5%

The increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in the new debts.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

23. Restructuring of Companies under Common Control

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

Pursuant to a restructuring agreement dated 23 November 2009, the company acquired the entire issued share capital of Hafary Pte Ltd from its shareholders. The consideration was based on the audited Net Tangible Assets ("NTA") (excluding non-controlling interests) of Hafary Pte Ltd and its subsidiaries as at 30 June 2009 of $8,230,000. The acquisition of Hafary Pte Ltd was completed on 23 November 2009. The consideration was satisfied by the issue of 129,999,999 new ordinary shares of the company, credited as fully paid to their respective shareholders.

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

24. Capital Reserve

The reserve arose from a Restructuring Exercise carried out in the reporting year ended 30 June 2010 in connection with the company's Initial Public Offering. The amount is the difference between the company's investment cost in Hafary Pte Ltd of $9,239,000 and the consideration of $8,230,000. The capital reserve has been reclassified to retained earnings in the reporting year ended 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

25. Other Financial Liabilities

	Group		Company	
	2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000
Non-current:				
Bank loans A (secured) (Note 25A)	2,014	1,276	–	–
Bank loans B (secured) (Note 25B)	17,718	–	–	–
Finance lease liabilities (Note 25E)	371	187	221	–
Non-current, total	20,103	1,463	221	–
Current:				
Bank loans A (secured) (Note 25A)	1,154	489	–	–
Other bank loans (unsecured) (Note 25C)	778	2,684	–	–
Trust receipts and bills payable (Note 25D)	16,573	8,131	–	–
Finance lease liabilities (Note 25E)	127	166	56	–
Current, total	18,632	11,470	56	–
Total	38,735	12,933	277	–
The non-current portion is repayable as follows:				
Due within 2 to 5 years	20,103	1,463	221	–

The ranges of floating interest rates per year paid were as follows:

	Group	
	2011	2010
Bank loans A (secured)	2.56%	2.68%
Bank loans B (secured)	2.19%	–
Trust receipts and bills payable to banks	1.19% to 6.25%	1.31% to 2.69%

The fixed interest rate per year paid was as follows:

	Group	
	2011	2010
Other bank loans (unsecured)	5.00%	5.00%

The range of fixed interest rates paid for finance lease liabilities are disclosed in Note 25E.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2011

25. Other Financial Liabilities (Continued)

25A. Bank Loans A (secured)

These relate to loans for acquisition of a leasehold building of the company and working capital purpose.

The bank agreements for the bank loans provide among other matters for the following:-

(i) Repayable by equal monthly instalments over 4 and 3 years from December 2009 and May 2011 respectively.
(ii) First legal mortgage over the leasehold building (Note 14).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

25B. Bank Loans B (secured)

This relates to loan for acquisition of the development property at 79 Aljunied Road. Singapore 389822 (Note 15).

The agreement for the bank loan provides among other matters for the following:-

(i) Fully repayable in one lump sum within 6 months of issuance of Temporary Occupancy Permit or April 2013, whichever is earlier.
(ii) First legal mortgage over the development property (Note 15).
(iii) Corporate guarantee for $37,500,000 by the company.
(iv) Need to comply with certain financial covenants.

25C. Other Bank Loans (unsecured)

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

The IASB International Financial Reporting Standard ("IFRS") Interpretations Committee carried out a review in 2010 on the classification of callable term loans. The agreements for callable term loans include an overriding payment on demand clause which gives the lenders the right to demand repayment at any time, at their sole discretion irrespective of whether a default event has occurred. It was concluded that callable term loans should be classified as current liabilities in their entirety, irrespective if the probability that the lender will exercise the demand clause. As the Singapore Financial Reporting Standard is adopted from the IFRS issued by the IASB, the above conclusion will also apply to companies in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

25. Other Financial Liabilities (Continued)

25C. Other Bank Loans (unsecured) (Continued)

As at 1 July 2010 and 30 June 2011, the amounts classified in other bank loan (unsecured) due after 1 year which fall under the definition of callable term loans were $781,000 and $478,000 respectively. These amounts have been reclassified as current liabilities in the statements of financial position.

Management believes that the bank would not exercise the demand clause on the callable term loan agreement as the company is unlikely to breach any of the default events. An analysis of the repayment amounts based on the repayment schedule in the loan agreement assuming the bank does not exercise the demand clause at the end of the reporting year is as follows:

	Group	
	2011 $'000	2010 $'000 (Restated)
Due within 2 to 5 years	478	781

No disclosure of the balance as at 1 July 2009 was made as this callable loan was only drawn down in November 2009.

25D. Trust Receipts and Bills Payable (secured)

These are repayable between 120 to 150 (2010: 120 to 150) days from the drawn down dates. They are guaranteed by the company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

25. Other Financial Liabilities (Continued)

25E. Finance Lease Liabilities

	Minimum Payments $'000	Finance Charges $'000	Present Value $'000
Group:			
2011			
Minimum lease payments payable:			
Due within one year	144	(17)	127
Due within 2 to 5 years	393	(22)	371
Total	537	(39)	498
Net book value of plant and equipment under finance leases			617
2010			
Minimum lease payments payable:			
Due within one year	179	(13)	166
Due within 2 to 5 years	198	(11)	187
Total	377	(24)	353
Net book value of plant and equipment under finance leases			471
Company:			
2011			
Minimum lease payments payable:			
Due within one year	65	(9)	56
Due within 2 to 5 years	236	(15)	221
Total	301	(24)	277
Net book value of plant and equipment under finance leases			338

The group leases certain of its plant and equipment and motor vehicles under finance leases. The average lease term is 3 to 5 years. The fixed rates of interest for finance leases are between 1.88% and 3.99% (2010: 2.20% and 3.99%) per year. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore dollar. The obligations under finance leases are secured by the lessors' charge over the leased assets.

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26. Provision

	Group	
	2011	2010
	$'000	$'000
Provision for rebates	265	255
Movements in above provision:		
Balance at beginning of the year	255	256
Additions	265	255
Used	(255)	(256)
Balance at end of the year	265	255

27. Trade and Other Payables

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	6,868	4,687	586	215
Related party (Note 3)	–	1	–	–
Subtotal	6,868	4,688	586	215
Other payables:				
Directors (Note 3)	10	250	–	–
Outside parties	143	–	–	–
Subtotal	153	250	–	–
Total trade and other payables	7,021	4,938	586	215

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

28. Derivative Financial Instruments

The table below summarises the fair value of derivative financial instruments at the end of the reporting year:

	Group	
	2011	**2010**
	$'000	**$'000**
Liabilities:		
Forward currency contracts with negative fair values, net	(63)	(460)
The movements during the year were as follows:		
Balance at beginning of the year	(460)	–
Reversed/(charged) to profit or loss under other credits and (other charges)	397	(460)
Balance at end of the year	(63)	(460)

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

Reference currency of forward currency contracts	**Principal**	**Maturity dates**	**Fair value gain/(loss)**
	$'000		**$'000**
2011:			
Euro	3,155	11 July 2011 to 20 December 2011	32
United States dollar	6,198	21 July 2011 to 30 December 2011	(95)
	9,353		(63)
2010:			
Euro	6,126	6 July 2010 to 18 November 2010	(509)
United States dollar	4,203	3 September 2010 to 20 December 2010	49
	10,329		(460)

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

NOTES TO THE FINANCIAL STATEMENTS

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28. Derivative Financial Instruments (Continued)

The forward currency contracts are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

The fair value of forward currency contracts is based on the current value of the different between the contractual exchange rate and the market rate at the end of the reporting year. The fair value is regarded as a Level 2 fair value measurement for financial instruments (Note 30C.2).

29. Other Liabilities

	Group	
	2011	2010
	$'000	$'000
Advance payments received from customers	123	–

30. Financial Instruments: Information on Financial Risks

30A. Classification of Financial Assets and Liabilities

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets:				
Loans and receivables	13,993	10,347	8,411	6,067
Cash and bank balances	3,273	5,473	112	1,263
	17,266	15,820	8,523	7,330
Financial liabilities:				
Borrowings at amortised cost	38,735	12,933	277	–
Trade and other payables at amortised cost	7,021	4,938	586	215
Derivative financial instruments	63	460	–	–
	45,819	18,331	863	215

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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30. Financial Instruments: Information on Financial Risks

30B. Financial Risk Management

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

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

The Financial Controller who monitors the procedures and reports to the audit committee of the board.

There has been no change to the exposures to risks, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

30C. Fair Value of Financial Instruments

30C.1. Fair value of financial instruments stated at amortised cost in the statement of financial position

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

30C.2. Fair value measurements recognise in the statement of financial position

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

Balances recognised at fair value in the statement of financial position included derivative financial instruments of $63,000 (2010: $460,000). This is measured at Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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

30D. Credit Risk on Financial Assets

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

The cash and cash equivalents balances disclosed in Note 21 represent amounts with less than 90-day maturity.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (2010: 60 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2011	**2010**
	$'000	**$'000**
Trade receivables:		
61 to 90 days	1,651	1,314
Over 90 days	3,843	1,934
Total	5,494	3,248

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

	Group	
	2011	**2010**
	$'000	**$'000**
Trade receivables:		
Less than 60 days	–	5
Over 90 days	1,087	507
Total	1,087	512

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $1,087,000 (2010: $512,000) for the group that are determined to be impaired at the end of reporting year. These are not secured.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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

30E. Liquidity Risk

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

	Less than 1 year $'000	2 to 5 years $'000	Total $'000
Group			
2011:			
Gross borrowings commitments	18,125	21,378	39,503
Gross finance lease obligations	144	393	537
Trade and other payables	7,021	–	7,021
	25,290	21,771	47,061
2010:			
Gross borrowings commitments	10,647	2,151	12,798
Gross finance lease obligations	179	198	377
Trade and other payables	4,938	–	4,938
	15,764	2,349	18,113
Company			
2011:			
Gross finance lease obligations	65	236	301
Trade and other payables	586	–	586
	651	236	887
2010:			
Gross finance lease obligation	–	–	–
Trade and other payables	215	–	215
	215	–	215

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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

30E. Liquidity Risk (Continued)

The following table analyses the derivative financial liabilities by remaining contractual maturity at the end of the reporting year:

	Less than 1 year	
	2011 $'000	2010 $'000
Group:		
Forward currency contracts:		
Derivative financial asset	32	49
Derivative financial liability	(95)	(509)
Net settled	(63)	(460)

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

For financial guarantee contracts, the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

Company	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	Total $'000
2011:				
Financial guarantee contracts – in favour of a subsidiary (Note 3)	18,505	19,733	–	38,238
2010:				
Financial guarantee contracts – in favour of a subsidiary (Note 3)	19,376	1,720	430	21,526

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2010: 60 days). The other payables are with short-term durations. In order to meet such commitments, the operating activities are expected to generate sufficient cash inflows.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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

30E. Liquidity Risk (Continued)

Bank facilities:

	Group	
	2011	**2010**
	$'000	**$'000**
Undrawn borrowing facilities	11,827	9,271

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

30F. Interest Rate Risk

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Financial liabilities:				
Fixed rates	1,276	3,037	277	–
Floating rates	37,459	9,896	–	–
	38,735	12,933	277	–

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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

30F. Interest Rate Risk (Continued)

Sensitivity analysis:

	Group	
	2011	**2010**
	$'000	**$'000**
Adverse effect on pre-tax profit for the year of a hypothetical increase in interest rates, with all other variables held constant, by:		
50 basis points	188	50
100 basis points	375	99
150 basis points	562	149
200 basis points	750	198

The analysis has been performed separately for fixed interest rate and floating interest rate financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

30G. Foreign Currency Risks

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

	Cash and cash equivalents	
	2011	**2010**
Group:	**$'000**	**$'000**
Financial assets:		
United States dollar	–	165

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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

30G. Foreign Currency Risks (Continued)

Group: Financial liabilities:	**Borrowings**	**Trade and other payables**	**Total**
	$'000	**$'000**	**$'000**
2011:			
United States dollar	8,582	726	9,308
Euro	3,664	250	3,914
	12,246	976	13,222
2010:			
United States dollar	4,704	772	5,476
Euro	2,868	1,051	3,919
	7,572	1,823	9,395

There is exposure to foreign currency risk as part of the group's normal business as the sales of the group are primarily denominated in Singapore dollar and its purchases are primarily denominated in United States dollar and Euro.

Sensitivity analysis:

	Group	
	2011	**2010**
	$'000	**$'000**
Favourable effect on profit before tax of a hypothetical 10% increase in the exchange of the functional currency, with all other variables held constant, against:		
United States dollar	931	531
Euro	391	392

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure. For similar rate in the decrease of the functional currency against the relevant foreign currencies, there would be comparable impacts on the opposite direction on the profit or loss. The analysis above has been carried out on the following basis that there are no hedged transactions.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

31. Capital commitments

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

	Group	
	2011	**2010**
	$'000	**$'000**
Commitments to purchase plant and equipment	–	112
Commitments to acquire properties	17,820	–

In the current reporting year, a subsidiary paid deposits of $1,980,000 for the rights to acquire two properties, 105 Eunos Avenue 3, Singapore 409836 (Lot 2372V of Mukim 23) for a cash consideration of $9,800,000 and 3 Changi North Street 1, Singapore 498824 (Lot 4016P of Mukim 31) for a cash consideration of $10,000,000 (Note 16).

32. Operating Lease Payment Commitments

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

	Group	
	2011	**2010**
	$'000	**$'000**
Not later than one year	156	1,263
Later than one year and not later than five years	624	2,362
Later than five years	1,020	1,208
Rental expense for the year	1,583	1,185

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

33. Changes and Adoption of Financial Reporting Standards

For the reporting year ended 30 June 2011, the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Amendments to)
FRS 7	Statement of Cash Flows (Amendments to)
FRS 17	Leases (Amendments to)
FRS 27	Consolidated and Separate Financial Statements (Revised)
FRS 28	Investments in Associates (Revised) (*)
FRS 32	Classification Of Rights Issues (Amendments to) (*)
FRS 36	Impairment of Assets (Amendments to)
FRS 38	Intangible Assets (Amendments to) (*)
FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Item (Amendments to) (*)
FRS 39	Financial Instruments: Recognition and Measurement (Amendments to)
FRS 102	Share-based Payment (Amendments to) (*)
FRS 103	Business Combinations (Revised)
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments to) (*)
FRS 108	Operating Segments (Amendments to)
INT FRS 109	Reassessment of Embedded Derivatives (Amendments to) (*)
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (Amendments to) (*)
INT FRS 117	Distributions of Non-cash Assets to Owners (*)
INT FRS 118	Transfers of Assets from Customers (*)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

34. Future Changes in Financial Reporting Standards

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

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Presentation of Financial Statements Disclosures (Amendments to)	1 January 2011
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets	1 January 2012
FRS 24	Related Party Disclosures (revised)	1 January 2011
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 July 2011
FRS 34	Interim Financial Reporting (Amendments to)	1 January 2011
FRS 101	First-time Adoption of Financial Reporting Standards (Amendments to) (*)	1 January 2011
FRS 107	Financial Instruments: Disclosures (Amendments to)	1 January 2011
FRS 107	Financial Instruments: Disclosures (Amendments to) - Transfers of Financial Assets (*)	1 July 2011
INT FRS 113	Customer Loyalty Programmes (Amendments to) (*)	1 January 2011
INT FRS 114	Prepayments of a Minimum Funding Requirement (revised) (*)	1 January 2011
INT FRS 115	Agreements for the Construction of Real Estate	1 January 2011

(*) Not relevant to the entity.

35. Comparative Figures

As disclosed in Note 25C, the group has reclassified the non-current portion of a callable term loan to current liabilities. The reclassification has been applied retrospectively by representing the loan balances as at 1 July 2010 as follows:

	After reclassification $'000	Before reclassification $'000	Difference $'000
Other financial liabilities, non-current	1,463	2,244	(781)
Other financial liabilities, current	11,470	10,689	781

The financial statements of the company for 2010 cover the reporting year since incorporation on 6 October 2009 to 30 June 2010. The financial statements of the company for 2011 cover the twelve months ended 30 June 2011. Therefore, the comparative amounts for the Statement of Changes in Equity and related notes of the company are not entirely comparable.

STATISTICS OF SHAREHOLDINGS

As at 9 September 2011

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	–	–	–	–
1,000 - 10,000	61	43.88	475,000	0.29
10,001 - 1,000,000	71	51.08	7,329,000	4.51
1,000,001 AND ABOVE	7	5.04	154,696,000	95.20
TOTAL	139	100.00	162,500,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Low Kok Ann [1]	37,700,000	23.20	–	–
Low See Ching [1]	51,900,000	31.94	16,250,000 [3]	10.00
Dr Low Bee Lan Audrey [1]	22,752,000	14.00	–	–
Ching Chiat Kwong [2]	15,850,000	9.76	–	–

1 Low Kok Ann is the father of Low See Ching and Dr Low Been Lan Audrey.
2 All shares are held in the name of Bank of Singapore Nominees Pte Ltd.
3 All shares are held in the name of Hong Leong Finance Nominees Pte Ltd.

STATISTICS OF SHAREHOLDINGS

As at 9 September 2011

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	LOW SEE CHING	51,900,000	31.94
2	LOW KOK ANN	37,700,000	23.20
3	LOW BEE LAN AUDREY	22,752,000	14.00
4	BANK OF SINGAPORE NOMINEES PTE LTD	22,355,000	13.76
5	HONG LEONG FINANCE NOMINEES PTE LTD	16,250,000	10.00
6	PHILLIP SECURITIES PTE LTD	2,539,000	1.56
7	KIM ENG SECURITIES PTE. LTD.	1,200,000	0.74
8	TAN GHUAT WOON MRS HO TAN GHUAT WOON	1,000,000	0.62
9	PHOON WAIE KUAN	686,000	0.42
10	RAMESH S/O PRITAMDAS CHANDIRAMANI	644,000	0.40
11	MAYBAN NOMINEES (S) PTE LTD	535,000	0.33
12	TANG LYN-HUEI FIONA MAE	450,000	0.28
13	QUAK LEE ENG	259,000	0.16
14	TAY ENG KIAT JACKSON	250,000	0.15
15	FIONA SOH SIOK LAN	201,000	0.12
16	CHIN SEK PENG	200,000	0.12
17	EVANGELIN YEW LEET LING (EVANGELIN YAO LILING)	200,000	0.12
18	TAY PUAY KOON	200,000	0.12
19	UOB KAY HIAN PTE LTD	185,000	0.11
20	DBS VICKERS SECURITIES (S) PTE LTD	150,000	0.09
	TOTAL	159,656,000	98.24

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

11.1% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of Section B of The Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hafary Holdings Limited ("the Company") will be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Tuesday, 18 October 2011 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 30 June 2011 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.09 cent per ordinary share one-tier tax-exempt for the year ended 30 June 2011 (2010: 0.4 cent per ordinary share). **(Resolution 2)**

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

   Mr Ong Beng Chye **(Resolution 3)**
   Mr Chow Wen Kwan Marcus **(Resolution 4)**

   Mr Ong Beng Chye will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee and Lead Independent Director and will be considered independent.

   Mr Chow Wen Kwan Marcus will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.

4. To approve the payment of Directors' Fees of S$100,000 for the year ended 30 June 2011 (2010: S$80,000). **(Resolution 5)**

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

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

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

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

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

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

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

provided that:

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

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

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

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

(c) any subsequent consolidation or subdivision of shares;

NOTICE OF ANNUAL GENERAL MEETING

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

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

[See Explanatory Note (i)] **(Resolution 7)**

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary
Singapore, 3 October 2011

Explanatory Note:

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

Notes:

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

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

HAFARY HOLDINGS LIMITED
Company Registration No. 200918637C
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Tuesday, 18 October 2011 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Financial Statements for the year ended 30 June 2011		
2	Payment of proposed final dividend		
3	Re-election of Mr Ong Beng Chye as a Director		
4	Re-election of Mr Chow Wen Kwan Marcus as a Director		
5	Approval of Directors' Fees amounting to S$100,000		
6	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditors		
7	Authority to issue new shares		

Dated this ____________day of ____________2011

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

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

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

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

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

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

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

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

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

General:

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

合發利控股有限公司
HAFARY HOLDINGS LIMITED
(Company Registration No. 200918637C)
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