HAFARY HOLDINGS LIMITED
Company Registration No. 200918637C

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ENGAGE MEDIA
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Bringing Design IDEAS to LIFE

ANNUAL REPORT 2012

HAFARY HOLDINGS LIMITED

The Leading Building Material Supplier Since 1980

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 and investment in an associated company and a joint venture company. Incorporated in May 1980 by the Executive Chairman, Mr. Low Kok Ann, Hafary Pte Ltd is the largest sales generator of the Group that supplies homogeneous, ceramics and stone tiles, sanitary ware and quartz top.

Surface Project Pte. Ltd. was incorporated in January 2005 to cater to demand for surfacing materials for use in construction and development projects in both the public and private sectors in Singapore. To date, this subsidiary has supplied surfacing materials for use in a considerable number of quality commercial and residential development projects in Singapore.

Surface Stone Pte. Ltd. and Wood Culture Pte. Ltd. were incorporated in April 2009 and April 2010 respectively to complement the Group's businesses by offering stone tiles and marble and wood-flooring materials.

Hafary Centre Pte. Ltd. was incorporated in December 2010 to support the Group's requirement for office and warehousing space. It holds two leasehold properties in Eunos and Changi which are being developed into the Group's new corporate headquarters and warehousing facility respectively.

Hafary China Pte. Ltd. and Hafary Vietnam Pte. Ltd. were incorporated in September 2011 to act as special purpose vehicles for the Group's investments and acquisition of assets in China and Vietnam respectively.

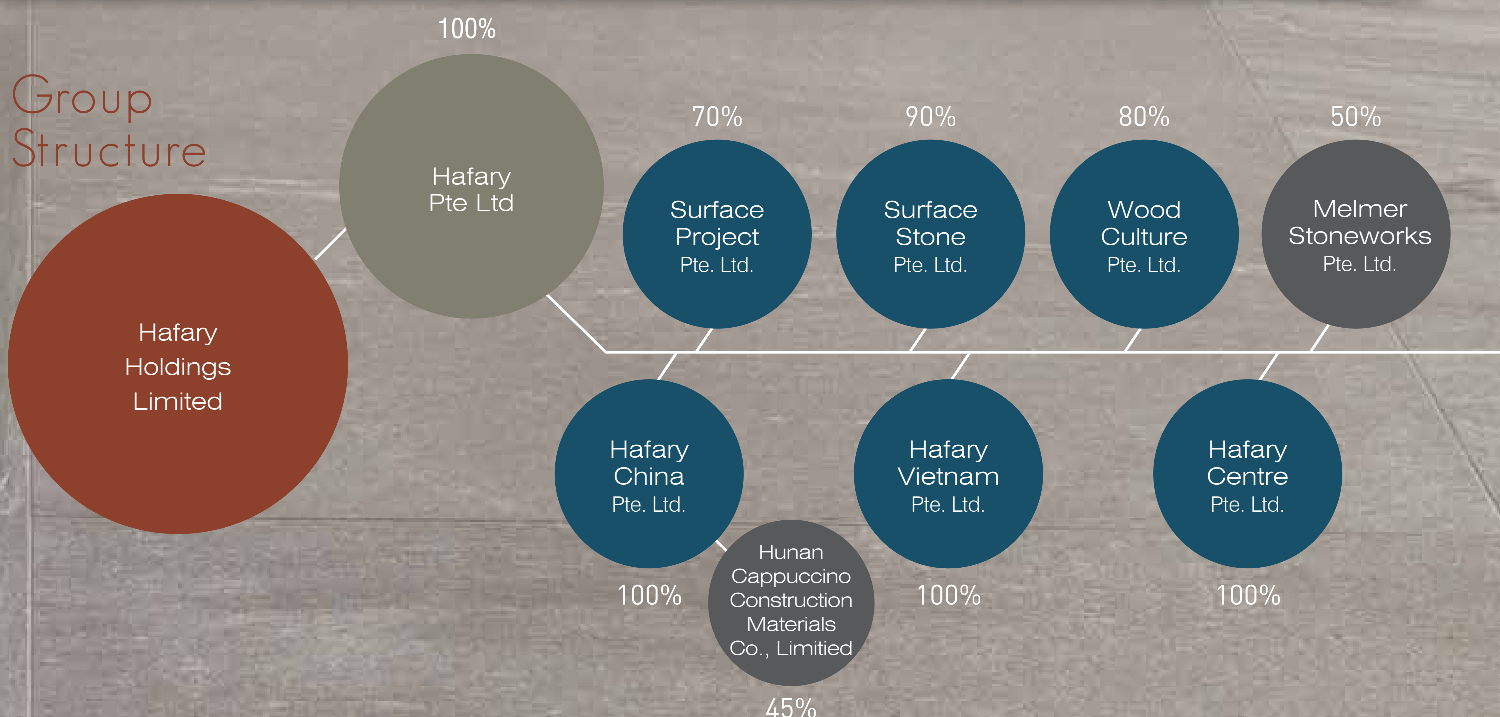
General

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 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



Our Products

Tiles

Ceramic • Porcelain

Dedicated to bringing your design ideas to life, we market and distribute a comprehensive range of premium tiles for your selection. Backed by our strong sourcing and procurement network, we offer quality material at competitive prices while meeting your requirements and preferences.

Brands We Carry

• Ceramica Atlas Concorde • Ceramiche Caesar • Ceramiche Provenza • Ceramica Viva • Cerdomus • Coem Ceramiche • Colorker • Cotto d'Este • Guocera Marketing • Imola Ceramica • Lea Ceramiche • Love Tiles • Marazzi • Mirage • MML Marketing • Pamesa Ceramica • Porcelanosa • Venis Ceramica

Axis Bruno

Firenze Nacar

Monolith Black

Pegasos

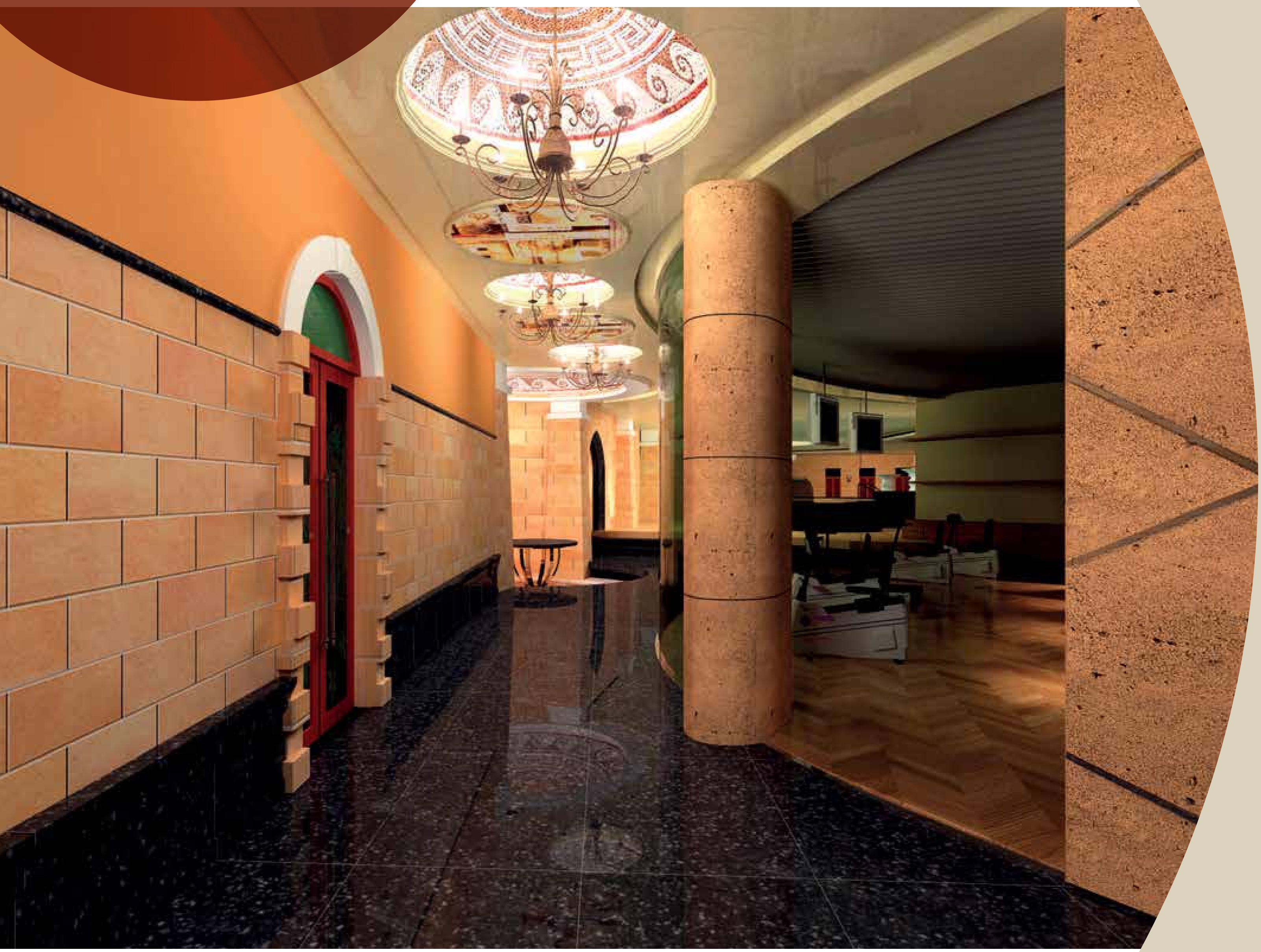
Travertino Silver

Our Products

Stone

Granite • Limestone • Marble • Slate • Composite Quartz & Marble

Enjoy luxury and beauty that stone offers. Carefully sourced from around the world, we bring in new selections regularly to inspire you with the limitless design possibilities.



Brands We Carry

• Caesarstone • Kalingastone • Santa Margherita

Bianco Marine

G682 Natural Split

Perlato Royal

Tabacco

Travertine Marble Mosaic

Our Products

Wood

Engineered Timber Flooring • Laminate Flooring • Solid Hardwood Flooring • Vinyl Flooring

We stay ahead at the forefront of the latest wood flooring trends while sourcing timber from well-managed and regulated forests. As such, we are able to achieve the delicate balance between supply and demand, natural and sustainable as well as consumable and renewable.

Brands We Carry

• Berry Alloc • Endurai • Wood Culture

Mouse Grey

Beech

Country Oak

Canadian Maple

White Oak

Our Products

Sanitary Ware & Fittings

Accessories • Basin • Bathtub • Faucet • Pools • Shower • Toilet

Seeking to offer expedience while creating an integrated and holistic shopping experience for our customers, our showrooms showcase a comprehensive array of high quality internationally renowned sanitary ware and fittings aimed at making every bathroom a luxurious sanctuary.

Brands We Carry

• Bravat • Fima | Carlo Frattini • Geberit • Hansgrohe • ilife • Justime • Pablo • OXO

Fluid

Thames

Sfera

Justime

Navia

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors of Hafary Holdings Limited ("Hafary" or the "Group"), I am pleased to present you with the Group's Annual Report for the financial year ended 30 June 2012 ("FY2012"). The following represents the collective view of the Board of Directors of Hafary Holdings Limited.

Financial Performance

Group's revenue increased from S$60.4 million in FY2011 to S$63.1 million in FY2012.

The Group's General segment continued to be the key sales contributor, chalking up 64.6% of Group's revenue with sales of S$40.7 million. This represents an increase of S$3.0 million over S$37.7 million achieved during FY2011. Revenue from the Project segment decreased from S$22.6 million during FY2011 to S$22.2 million in FY2012. This represents 35.3% of Group's revenue.

The Group's net profit for the year under review decreased from S$7.5 million in FY2011 to S$5.1 million in FY2012.

The lower net profit for FY2012 reflects the impact of higher payroll costs and other expenses to cope with increased operations. Consequently, net profit attributable to shareholders of the Company decreased to S$4.5 million in FY2012 from S$6.9 million in FY2011.

Corporate Developments

Update on Properties Acquired

Following shareholders' approval for the acquisition of three properties located at 105 Eunos Avenue 3 ("Eunos property"), 3 Changi North Street 1 ("Changi property") and 18C Sungei Kadut Street 4 ("Sungei Kadut property") for commercial and warehousing purposes, development of the properties for the intended purposes have commenced.

" In FY2013, we look forward to further increasing shareholders' value by strengthening our business model through widening the Group's geographical base while deepening our domestic foothold. "

Low Kok Ann
Executive Chairman

The Eunos property, which will house the Group's corporate headquarters, main showroom and an auxiliary warehouse, is expected to receive temporary occupancy permit in the first quarter of calendar year 2013. We aim to move in and be fully operational at the new premises by the second quarter of calendar year 2013. Development of the Changi property into a warehousing and storage facility is expected to be completed by the fourth quarter of calendar year 2012. The one-storey warehouse on the Sungei Kadut renovated into a marble processing facility and expected to be operational by the fourth quarter of calendar year 2012.

In October 2010, the Group acquired a freehold land of approximately 29,000 square feet in 79 Aljunied Road ("Aljunied property"). The Aljunied property was initially planned for redevelopment into a six-storey building to house the Group's corporate headquarters and showroom space. In view of the acquisition of other properties mentioned above 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 our shareholders at an Extraordinary General Meeting held on 22 July 2011. During the sale process, the market demand for units in the building was significantly higher than expected. Given the uncertain global economic climate then and the use of Eunos property as the main showroom being more cost-effective, the management decided it would be commercially justifiable to sell all units in the development property. In December 2011, the Group contracted to sell all 59 units in the development property to various purchasers. The cumulative sales proceeds amount to approximately S$65 million and the estimated gain on disposal amounts to approximately S$22 million. The one-time gain is expected to be recognised in profit or loss in FY2013 after the temporary occupancy permit is issued for the development property.

Private Placement Exercise

In November 2011, the Group conducted a private placement of 32,000,000 new ordinary shares at S$0.20 each. Net proceeds of S$6.4 million was raised for purpose of investment in an associated company, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), and working capital. As at to date, the net proceeds has been fully utilised for the intended purposes.

Overseas Investments

In February 2012, the Group acquired a 45% shareholding in an associate, HCCM, a tile manufacturing facility in the People's Republic of China ("PRC"). This investment is part of the Group's overseas expansion plan and growth strategy to strengthen its core surfacing materials retailing business. It also marks the Group's foray into tile manufacturing by leveraging on the expertise and competencies of its local partner in the PRC. HCCM will focus on the PRC and the overseas markets where there are opportunities for the production and sale of construction and surfacing materials. Production of tiles is expected to commence before the end of calendar year 2012.

As at 27 September 2012, the Group has entered into a conditional share subscription agreement with Viet Ceramics International Joint Stock Company ("VCI"), a reputable tile distributor in Vietnam, to subscribe for a 49% equity interest in VCI. VCI is principally involved in trading of building materials and interior decorative products. The investment will allow the Group to tap on the existing distribution network of VCI and expand its tile trading business into Vietnam, which has an expanding economy and growth potential in the property development sector.

Establishment of Joint Venture

In July 2012, the Company's wholly-owned subsidiary, Hafary Pte Ltd, incorporated and took a 50% equity interest in Melmer Stoneworks Pte. Ltd. ("MSPL") in Singapore. MSPL will be principally engaged in the fabrication, polishing and profiling of stone slabs and marble for household and commercial uses. Operations of MSPL will be housed in the Sungei Kadut property.

Looking Ahead

Singapore's economy is expected to remain subdued during FY2013. Going forward, the economy may have to wrestle with the heavy shadow cast by the ongoing Eurozone crisis and the slowdown in growth of Asian economies as a result of the sluggish global economic climate.

Amidst the unpredictable demand trend of surfacing materials, the Group aims to continue to maintain its position as a preferred supplier for surfacing materials. The Group will continue to implement various sales and marketing initiatives to enhance its branding in the local market.

Since the setting up of the Group's Public Project Department in FY2010 to cater to growing demand for surfacing materials for use in development of Housing Development Board ("HDB") residential estates, several floor and wall tiles supplied by the Group have been approved for use in HDB residential estate development. Having secured orders of surfacing materials for use in a considerable number of HDB projects, the Group expects to commence delivery of these secured orders in FY2013.

In the next 12 months, the Group will also focus on cost control efforts and enhancing operational efficiencies to improve financial performance. The development of the Eunos property and Changi property into the Group's corporate headquarters and warehousing facility respectively is targeted for completion in FY2013. A portion of the new corporate headquarters will be leased to generate rental income and cash flows for the Group. The Group can expect to streamline its operations when tiles for delivery to customers in the General segment are consolidated in the new warehousing facility.

In Appreciation

To show appreciation to our shareholders for their loyalty and faith in us, the Board is pleased to propose a final tax-exempt (one-tier) dividend of 1.5 cent per ordinary share for the financial year ended 30 June 2012, subject to approval of our shareholders at the forthcoming Annual General Meeting. This, coupled with the interim tax-exempt (one-tier) dividend of 1.0 cent per ordinary share paid in March 2012, will add up to a total dividend of 2.5 cents per ordinary share for FY2012. Based on closing share price of 23.5 cents as at 30 June 2012, dividend yield for FY2012 is 10.6%.

I also wish to take this opportunity to express my deep appreciation to my fellow Directors for their invaluable counsel and guidance. My gratitude goes to all our customers and associates for their loyal support, as well as to the management and employees for their hard work and contribution over the years. All have made a difference and contributed to Hafary's growth story so far. In FY2013, we look forward to further increasing shareholders' value by strengthening our business model through widening the Group's geographical base while deepening our domestic foothold.

BOARD OF DIRECTORS

Mr. Low Kok Ann was appointed as Executive Director of our Company on 6 October 2009. As the Executive Chairman, his primary responsibility is to formulate and oversee the corporate and strategic development of our Group. Mr. Low was one of the founders of the main subsidiary of our Company, Hafary Pte Ltd, and has been an Executive Director since its incorporation in 1980. His wealth of experience in the tile industry has been pivotal to our success and growth. Mr Low attained a Government Higher School Certificate (Chinese) in 1969. He was re-elected as Executive Director of our Company on 28 October 2010.

Mr. Low See Ching was appointed as Executive Director of our Company on 6 October 2009. As the Chief Executive Officer ("CEO"), he 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 the main subsidiary of our Company, Hafary Pte Ltd, in 2000 and rose through the ranks from 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 Nanyang Technological University, Singapore in 1999. He was re-elected as Executive Director of our Company on 28 October 2010.

Mr. Ong Beng Chye was appointed as Lead Independent Director on 10 November 2009 and was re-elected on 18 October 2011. He graduated with a Bachelor of Science with Honours degree from The City University, London in 1990 and has more than 22 years of experience in the finance sector. Mr. Ong is currently a Director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also Lead Independent Director and Chairman of the Audit Committee of Kitchen Culture Holdings Ltd., and a Non-Executive Director of Heatec Jietong Holdings Ltd., both listed on Catalist. 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.

Mr. Terrance Tan Kong Hwa was appointed as an Independent Director of our Company on 10 November 2009. He has more than 17 years of experience in the banking and private equity / venture capital industry, holding various positions within DBS Bank Group and Standard Chartered Bank. Mr. Tan 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. He is also an Independent Director of Teho International Inc Ltd., listed on Catalist and Consciencefood Holding Limited, listed on SGX Mainboard.

Mr. Chow Wen Kwan Marcus was appointed as an Independent Director of our Company on 10 November 2009 and was re-elected on 18 October 2011. He 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 also holds a certificate in Governance as Leadership from the Harvard Kennedy School of Government. He previously practised with several international law firms in New York, Hong Kong and Singapore. Mr. Chow is currently a Partner in the Corporate and Commercial Groups of the ATMD Bird & Bird LLP office in Singapore. He is also an Independent Director of Ley Choon Group Holdings Limited, listed on SGX Mainboard. He is a member of the Law Society of Singapore and Singapore Academy of Law and is an Attorney at Law, New York, USA.


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

KEY EXECUTIVES

Tay Eng Kiat Jackson joined our Group in 2009 and is currently the Financial Controller of the Group. He oversees the finance and corporate functions of our Group, including treasury, corporate secretarial duties and investor relations. Mr. Tay has more than 10 years of experience in Accounts and Finance functions of various entities in the public and private sector. He graduated with a Bachelor of Accountancy degree (Minor in Marketing) from Nanyang Technological University, Singapore in 2002. He is a Non-Practicing Member of the Institute of Certified Public Accountants of Singapore.

Goh Keng Boon joined our Group in 2004 and is currently the Director of one of the Group's subsidiary, Surface Project Pte. Ltd. He heads the Project Sales and Marketing team and leads the execution of corporate sales strategies. Mr. Goh has more than 10 years of experience in the tile industry. He graduated with a Bachelor degree in Building Management from RMIT University, Australia in 2001.

Koh Yew Seng Mike joined our Group in 2008 as General Manager and his responsibilities include overseeing our warehouse and logistics operations and also assisting the CEO with procurement administration. Mr. Koh has more than 15 years of experience in the tile industry. 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
Wong Yoen Har, ACIS
(Resigned with effect from 31 August 2011)

REGISTERED OFFICE

15 Defu Avenue 1
Singapore 539538
Tel: (65) 6383 2314
Fax: (65) 6253 4496

SHARE REGISTRAR

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

SPONSOR

Canaccord Genuity Singapore Pte. Ltd.
(Formerly known as Collins Stewart Pte. Limited)
77 Robinson Road #21-02
Singapore 068896

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

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

PRINCIPAL BANKERS

DBS Bank Limited
12 Marina Boulevard
DBS Asia Central
Marina Bay Financial Centre Tower 3
Singapore 018982

Standard Chartered Bank
8 Marina Boulevard
Marina Bay Financial Centre Tower 1
Level 27
Singapore 018981

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

FOR THE YEAR	FY2012 $'000	FY2011 $'000	FY2010 $'000
Revenue - General	40,757	37,732	27,219
Revenue - Project	22,241	22,590	11,078
Revenue - Others	75	32	57
Total revenue	63,073	60,354	38,354
Revenue - General (% of total revenue)	64.6%	62.5%	71.0%
Revenue - Project (% of total revenue)	35.3%	37.4%	28.9%
Earnings before interest, income taxes and depreciation (EBITD)	8,068	10,478	5,230
EBITD margin (%)	12.8%	17.4%	13.6%
Finance cost (i.e. Interest expense)	1,079	653	445
Profit before income tax	6,038	9,081	4,248
Profit before income tax (%)	9.6%	15.0%	11.1%
Net profit	5,070	7,501	3,258
Net profit (%)	8.0%	12.4%	8.5%
Profit after income taxes and non-controlling interest (PATNCI)	4,547	6,873	3,061
PATNCI margin (%)	7.2%	11.4%	8.0%

AT YEAR END	FY2012 $'000	FY2011 $'000	FY2010 $'000
Current assets	86,367	43,080	33,881
Total assets	123,832	73,045	38,074
Current liabilities	71,512	27,513	17,299
Total liabilities	90,827	47,859	19,639
Total debt	56,532	38,735	12,933
Cash and cash equivalents	4,984	3,273	5,473
Net debt	51,548	35,462	7,460
Shareholders' equity	31,304	23,798	17,569
Total equity	33,005	25,186	18,435
Number of ordinary shares ('000)	194,500	162,500	162,500
Weighted average number of ordinary shares ('000) (Basic and fully diluted)	181,648	162,500	148,958
Share price at year end (cents)	23.5	19.5	17.5
Market capitalisation as at 30 June	45,708	31,688	28,438

FINANCIAL HIGHLIGHTS

FINANCIAL RATIOS	FY2012	FY2011	FY2010
Profitability			
Revenue growth (%)	4.5%	57.4%	24.6%
PATNCI growth (%)	(33.8%)	124.5%	0.7%
Return on assets (%) (PATNCI/Total assets)	3.7%	9.4%	8.0%
Return on equity (%) (PATNCI/Average shareholders' equity)	16.5%	33.2%	23.7%
Liquidity			
Current ratio (times)	1.2	1.6	2.0
Cash as per share (cents)	2.6	2.0	3.4
Net assets per share (cents)	16.1	14.6	10.8
Leverage			
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	1.6	1.5	0.4
Interest cover (times) (EBITD/ Finance cost)	7.5	16.0	11.8
Investors' Ratio			
Earnings per share (cents) (Basic and fully diluted)	2.5	4.2	2.1
Gross dividend per share (cents) - Interim	1.0	-	-
Gross dividend per share (cents) - Final	1.5	0.9	0.4
Total gross dividend per share (cents) (DPS)	2.5	0.9	0.4
Gross dividend yield (%) based on year end share price	10.6%	4.6%	2.3%
Gross dividend payout (%) (DPS/ Basic EPS)	100.0%	21.4%	19.0%

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME	FY2012 S$'000	FY2011 S$'000	Change S$'000	Change %
Revenue	63,073	60,354	2,719	4.5
Other Items of Income				
Other Credits	174	491	(317)	(64.6)
Interest Income	-	1	(1)	-
Items of Expense				
Changes in Inventories of Finished Goods	6,444	7,385	(941)	(12.7)
Purchases and Related Costs	(43,639)	(43,041)	(598)	1.4
Employee Benefits Expense	(10,376)	(7,688)	(2,688)	35.0
Depreciation Expense	(951)	(744)	(207)	27.8
Impairment Losses	(164)	(1,008)	844	(83.7)
Other Charges	(1)	(81)	80	(98.8)
Finance Costs	(1,079)	(653)	(426)	65.2
Other Expenses	(7,290)	(5,935)	(1,355)	22.8
Share of Loss from an Equity-Accounted Associate	(153)	-	(153)	-
Profit Before Income Tax	**6,038**	**9,081**	**(3,043)**	**(33.5)**
Income Tax Expense	(968)	(1,580)	612	(38.7)
Profit, Net of Tax and Total Comprehensive Income for the Year	**5,070**	**7,501**	**(2,431)**	**(32.4)**
Profit, Net of Tax and Total Comprehensive Income Attributable to:				
- Owners of the Parent	4,547	6,873	(2,326)	(33.8)
- Non-Controlling Interests	523	628	(105)	(16.7)
	5,070	**7,501**	**(2,431)**	**(32.4)**

FINANCIAL REVIEW

Revenue

Our Group registered revenue of S$63.1 million in FY2011 compared to S$60.4 million recorded in FY2011.

Revenue from the general segment increased by S$3.0 million or 8.0% from S$37.7 million in FY2011 to S$40.7 million in FY2012. The subdued increase was due to the uncertain global economic outlook brought about by the Eurozone crisis which affected the global economy. There was also a discernible softening in the number of residential unit resale transactions since the beginning of year 2011 which affected demand for surfacing materials.

Revenue from the project segment decreased marginally by S$0.4 million or 1.5% from S$22.6 million in FY2011 to S$22.2 million in FY2012.

Gross Profit Margin

The gross profit margin of 41.0% for FY2012 was comparable to 40.9% for FY2011.

Other Credits

The decrease in other credits by S$0.3 million or 64.6% from S$0.5 million in FY2011 to S$0.2 million in FY2012 was mainly due to the decrease in fair value gain on foreign currency forward contracts.

Employee Benefits Expense

The increase in employee benefits expense by S$2.7 million or 35.0% from S$7.7 million in FY2011 to S$10.4 million in FY2012 was due to the annual salary increment with effect from July 2011, increase in headcount and higher overtime expenses incurred to cope with the increased operations. As at 30 June 2012, the Group had 212 employees (including directors) (30 June 2011: 173).

Depreciation Expense

The increase in depreciation expense by S$0.2 million or 27.8% from S$0.7 million in FY2011 to S$0.9 million in FY2012 was mainly arising from major additions of property, plant and equipment during the year. These additions include leasehold property (for warehousing purpose) at 18C Sungei Kadut Street 4, renovations for the extended showroom at 15 Defu Avenue 1 to exhibit the wider range of products and delivery vehicles and forklifts to cope with the increased operations.

Impairment Losses

The decrease in impairment losses by S$0.8 million or 83.7% from S$1.0 million in FY2011 to S$0.2 million in FY2012 was mainly due to lower allowance for impairment made for inventories and trade receivables.

Finance Costs

Finance costs increased by S$0.4 million or 65.2% from S$0.7 million in FY2011 to S$1.1 million in FY2012. The increase was mainly attributable to increase in interest expense on trust receipts and bills payable to banks arising from the increased financing period granted by banks and increase in interest expense and facility fees on short-term bank loans and mortgage loan obtained in FY2012.

Other Expenses

Other expenses increased by S$1.4 million or 22.8% from S$5.9 million in FY2011 to S$7.3 million in FY2012. The increase was mainly attributable to increase in rental expenses of premises and land rental on leasehold properties, increase in legal and professional fees and increase in upkeep of motor vehicles and forklifts and other repair and maintenance costs due to high utilisation of plant and equipment to cope with the increased operations and increase in transportation costs and utilities arising from increased operations.

Profit Before Income Tax

The decrease in profit before income tax decreased by S$3.0 million or 33.5% from S$9.1 million in FY2011 to S$6.1 million in FY2012 was due mainly to the increase in employee benefits expenses and other expenses.

Income Tax Expense

Income tax expense decreased by S$0.6 million or 38.7% from S$1.6 million in FY2011 to S$1.0 million in FY2012. The effective tax rate for FY2012 was 16.0% (FY2011: 17.4%) and comparable to the Singapore corporate tax rate of 17%.

FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION	FY2012 S$'000	FY2011 S$'000	Change S$'000	Change %
Property, Plant and Equipment	31,570	5,031	26,539	527.5
Development Property	-	22,954	(22,954)	(100.0)
Other Assets, Non-Current	-	1,980	(1,980)	(100.0)
Investment in an Associate	5,895	-	5,895	-
Current Assets:				
Development Property	32,265	-	32,265	-
Inventories	30,241	23,964	6,277	26.2
Trade and Other Receivables	17,164	13,993	3,171	22.7
Others	6,697	5,123	1,574	30.7
Total Assets	**123,832**	**73,045**	**50,787**	**69.5**
Equity:				
Equity, Attributable to Owners of the Parent	31,304	23,798	7,506	31.5
Non-Controlling Interests	1,701	1,388	313	22.6
Total Equity	**33,005**	**25,186**	**7,819**	**31.0**
Other Financial Liabilities	19,091	20,103	(1,012)	(5.0)
Others	224	243	(19)	(7.8)
Current Liabilities:				
Other Financial Liabilities	37,441	18,632	18,809	100.9
Other Liabilities	24,251	123	24,128	19,616.3
Trade and Other Payables	8,929	7,021	1,908	27.2
Others	891	1,737	(846)	(48.7)
Total Liabilities	**90,827**	**47,859**	**42,968**	**89.8**
Total Equity and Liabilities	**123,832**	**73,045**	**50,787**	**69.5**

Non-Current Assets

Non-current assets increased by S$7.5 million or 25.0% from S$30.0 million as at 30 June 2011 to S$37.5 million as at 30 June 2012.

Property, plant and equipment increased by S$26.5 million or 527.5% from S$5.0 million as at 30 June 2011 to S$31.5 million as at 30 June 2012. The increase was mainly due to acquisition of leasehold land and construction in progress at 105 Eunos Avenue 3 and 3 Changi North Street 1 amounting to S$25.0 million, leasehold property at 18C Sungei Kadut Street 4 amounting to S$1.5 million and plant and equipment amounting to S$0.9 million. The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S$0.9 million.

Development property is classified under current assets in FY2012 as the risks and rewards of ownership of the development property are expected to be transferred to the purchasers in FY2013. As at 30 June 2011, development property capitalised under non-current assets in the statement of financial position amounted to S$22.9 million.

Deposits of S$2.0 million relating to acquisition of properties at 105 Eunos Avenue 3 and 3 Changi North Street 1 are classified under property, plant and equipment upon completion of acquisitions in FY2012. Depreciation for these properties has not commenced as the premises are not ready for use as at 30 June 2012.

In February 2012, the Group acquired a 45% shareholding in an associate, Hunan Cappuccino Construction Materials Co., Limited, at a consideration of S$6.0 million. Investment in an associate includes the share of associate's loss amounting to S$0.1 million as at 30 June 2012.

FINANCIAL REVIEW

Current Assets

Current assets increased by S$43.3 million or 100.5% from S$43.1 million as at 30 June 2011 to S$86.4 million as at 30 June 2012.

The increase was mainly attributable to increase in inventories by S$6.3 million, trade and other receivables by S$3.2 million and other current assets by S$1.5 million and reclassification of development property amounting to S$32.3 million under current assets. As at 30 June 2011, the development property was classified as non-current assets.

The higher inventory balance was consistent with the Group's strategy of enhancing customer service by offering wide product range for tiles, stone tiles, marble, wood flooring materials, sanitary ware and quartz tops. As at 30 June 2012, the Group also stocked tiles which will be delivered for use in HDB construction projects in the first half of FY2013. Inventory turnover days increased to 273 as at 30 June 2012 compared to 214 as at 30 June 2011.

The increase in trade receivables was in line with the slight revenue growth in FY2012. Trade receivable turnover days increased to 92 as at 30 June 2012 compared to 76 as at 30 June 2011.

Shareholders' Equity

Shareholders' equity, comprising share capital and retained earnings, increased by S$7.5 million or 31.5% from S$23.8 million as at 30 June 2011 to S$31.3 million as at 30 June 2012.

The increase was largely attributable to net profit attributable to shareholders amounting to S$4.5 million and net proceeds amounting to S$6.4 million arising from private placement of 32,000,000 new ordinary shares in November 2011, which were partially offset by dividend payments to shareholders amounting to S$3.4 million in FY2012.

Non-Current Liabilities

Non-current liabilities decreased by S$1.0 million or 5.1% from S$20.3 million as at 30 June 2011 to S$19.3 million as at 30 June 2012.

Other financial liabilities (non-current) decreased by S$1.0 million due to repayments and drawdowns of bank loans in FY2012.

Current Liabilities

Current liabilities increased by S$44.0 million or 159.9% from S$27.5 million as at 30 June 2011 to S$71.5 million as at 30 June 2012.

The increase was mainly attributable to increase in trade and other payables by S$1.9 million, other financial liabilities by S$18.8 million and other liabilities by S$24.1 million. The above increase was partially offset by decrease in income tax payable by S$0.8 million.

Total amount of trade payables and trust receipts and bills payable to banks was S$25.6 million (FY2011: S$23.4 million). The turnover days of the aforesaid items based on cost of sales of 241 as at 30 June 2012 has increased from 186 as at 30 June 2011.

Other financial liabilities (current) increased by S$18.8 million due to repayments and drawdowns of bank loans in FY2012.

The Group contracted to sell all 59 units in the development property at 79 Aljunied Road in December 2011. As at 30 June 2012, progress payments (including booking fees) for the sale of units amounting to S$23.6 million, comprising approximately 35% of the accumulated sale price, was received and classified under other liabilities.

BUSINESS REVIEW

Company Overview

With its business origin dating back to 1980, Catalist-listed Hafary Holdings Limited ("Hafary") is today a group of companies that supplies surfacing materials, namely premium tiles, stones, mosaic, wood flooring materials, sanitary ware and quartz top to customers in the Singapore market. Our customers are broadly divided into two categories, namely General and Project. Through our strong sourcing and procurement network, we carry a wide variety of tiles from China and Europe (mainly Spain and Italy) and supply to our customers high quality products of latest designs at competitive prices.

Our corporate headquarters and main showroom are located at 15 Defu Avenue 1. We have two other regional showrooms located at 560 Balestier Road and Tradehub 21 (18 Boon Lay Way). Supporting our business are five warehousing facilities located at 5A Defu Lane 8, 15 Defu Avenue 1, 54/56 Sungei Kadut Loop, 18C Sungei Kadut Street 4 and 204 Bedok South Avenue 1. Our showrooms and warehousing facilities have aggregate built-in area of approximately 15,000 square feet and 309,000 square feet respectively.

With more than 30 years of presence in the Singapore market, Hafary takes pride in building up an unrivalled reputation and track record with new and existing customers. As a leading stockist, we carry a comprehensive range and wide variety of tiles and other surfacing materials. Despite the uncertainty in the economic and business environment in recent years, Hafary has been growing steadily and remained profitable, an achievement that underscores the strong leadership of a dynamic and committed management team.

Operating Review

Business in Singapore

The Group's General segment recorded an 8.0% increase in revenue from S$37.7 million for FY2011 to S$40.7 million for FY2012. The modest increase reflects the weaker consumers' sentiments due to the uncertain global economic outlook as a result of the Eurozone crisis. Nevertheless, this segment continued to be the leading sales generator for the Group, accounting for 64.6% of the Group's revenue.

Revenue for the Project segment dipped 1.5% from S$22.6 million in FY2011 to S$22.2 million in FY2012. Some of the high-profiled projects for which the Group supplied tiles and building materials during FY2012 included Hotel @ Changi Business Park Central 1, JCube!, The Gale and The Atrium @ Orchard.

The Group set up the Public Project Department to cater to demand for surfacing materials by construction companies for use in development of Housing Development Board ("HDB") residential estates during FY2010. Since then, several floor and wall tiles supplied by the Group have been approved for use in HDB residential estate development. During FY2012, the Group secured orders of surfacing materials for use in a considerable number of HDB residential estate developments and is expected to commence deliveries of these secured orders during FY2013.

During the first half of FY2012, the Group acquired and commenced on the redevelopment of leasehold properties at 105 Eunos Avenue 3 (land area of approximately 53,000 square feet) and 3 Changi North Street 1 (land area of approximately 112,000 square feet).

The Eunos property will house the Group's corporate headquarters, showroom and warehouse operations from 15 Defu Avenue 1. By the second quarter of the calendar year 2013, the Group's main operations is expected to be relocated to this building.

BUSINESS REVIEW

Leasehold properties owned by the Group:

S$'000	54/ 56 Sungei Kadut Loop	18C Sungei Kadut Street 4	105 Eunos Avenue 3*	3 Changi North Street 1*
Land purchase price	2,502	1,430	9,800	10,000
Development and directly attributable costs	-	88	2,757	2,449
Book value as at 30 June 2012	2,011	1,438	12,557	12,449

** Not depreciated as premise is under development as at 30 June 2012.*

The Changi property, which is being redeveloped into a warehousing and storage facility, is expected to be completed by the fourth quarter of calendar year 2012. The Group can expect to streamline its operations and enhance its cost and operational efficiency when tiles for delivery to customers in the General segment (which are currently housed in five different locations) are consolidated in the new warehousing facility.

During the first half of FY2012, the Group also acquired a leasehold property at 18C Sungei Kadut Street 4 (land area approximately 55,000 square feet). Renovation of the Sungei Kadut property to convert it into a marble-processing facility is in progress and expected to be completed by the fourth quarter of the calendar year 2012. This plant will enable the Group to exercise greater control over its marble-processing capabilities.

In December 2011, the Group contracted to sell all 59 units of its development property in 79 Aljunied Road, which has a gross floor area of approximately 72,000 square feet, to various purchasers. As announced on 28 December 2011, the cumulative sales proceeds amount to approximately S$65 million and the estimated gain on disposal amounts to approximately S$22 million. The one-time gain is expected to be recognised in FY2013 after the temporary occupancy permit is issued for the development property and risks and rewards of ownership of the property is transferred to the purchasers. As at to date, construction of the development property is approximately 80% completed.

Overseas Investments

In February 2012, the Group acquired a 45% shareholding in an associate, Hunan Cappuccino Construction Materials Co., Limited, a tile manufacturing facility in the People's Republic of China ("PRC"). This is the Group's first step of its geographical expansion plan which also complements the Group's existing business. It is focused on the PRC and the overseas markets where there are opportunities for the production and sale of construction and surfacing materials. Production of tiles is expected to commence before the end of calendar year 2012.

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 24 August 2012, which would materially affect the Group's and the Company's operating and financial performance as at 27 September 2012.

CORPORATE GOVERNANCE STATEMENT

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.

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
Number 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.

CORPORATE GOVERNANCE STATEMENT

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 and Chief Executive Officer ("CEO")
Mr. Ong Beng Chye	Lead Independent Director
Mr. Terrance Tan Kong Hwa	Independent Director
Mr. Chow Wen Kwan Marcus	Independent Director

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

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

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

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

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

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

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 CEO 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, son of Mr. Low Kok Ann, 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 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. The NC has recommended the re-election of the following Directors to be put forward for re-election at the forthcoming Annual General Meeting pursuant to Article 104 of the Company's Articles of Association:

Mr. Low Kok Ann
Mr. Terrance Tan Kong Hwa

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.

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.

CORPORATE GOVERNANCE STATEMENT

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 2012 is as follows:

Remuneration Band & Name of Director	Director's Fee (%)	Salary (%)	Bonus (%)	Total (%)
S$250,000 to S$500,000				
Mr. Low Kok Ann	-	72	28	100
Mr. Low See Ching	-	54	46	100
Below S$250,000				
Mr. Ong Beng Chye	100	-	-	100
Mr. Terrance Tan Kong Hwa	100	-	-	100
Mr. Chow Wen Kwan Marcus	100	-	-	100

Remuneration of key executives (who are not Directors)* for the financial year ended 30 June 2012 as follows:

Remuneration Band & Name of Key Executive	Salary (%)	Bonus (%)	Total (%)
Below S$250,000			
Mr. Tay Eng Kiat Jackson	78	22	100
Mr. Koh Yew Seng Mike	71	29	100
Mr. Goh Keng Boon	75	25	100

* As at 30 June 2012, 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 2012.

Currently, the Company does not have any employee share or share option 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.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

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

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

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

The AC meets periodically to perform the following functions:

(a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls that are relevant to their audit and 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;
(c) review the financial statements and the independent auditors' report on those 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 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;
(g) review any interested person 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.

CORPORATE GOVERNANCE STATEMENT

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

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 ended 30 June 2012 for audit and non-audit services are S$135,500 and S$37,000 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 internal accounting controls of the sales and purchases cycles that are relevant to their audit. 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.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls. The assessment was made by discussions with the management of the Company through a high level risk assessment exercise conducted by BDO LLP.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls in place is adequate in addressing the financial, operational and compliance risks of the Company as at 30 June 2012.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal controls system.

CORPORATE GOVERNANCE STATEMENT

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 LLP 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, the internal audit plan and internal audit findings.

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/wcm/connect/sgx_en/home/individual_investor/investor_guide

DEALING IN SECURITIES

In line with Rule 1204(19) 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 $100,000)	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Rental paid to Ascender Investment Pte. Ltd.[1]	174	290	-	-
Sales to Hume Construction Pte. Ltd. [2]	35	428	2	-
Sales to Oxley Construction Pte. Ltd. [2]	448	316	23	-
Sales to Galaxy Builders Pte. Ltd. [3]	324	-	-	-

[1] As at 30 June 2012, our CEO, Mr. Low See Ching, is a director and owns 25% of the shares of Ascender Investment Pte. Ltd., incorporated in Singapore. The transaction relates to rental of office, showroom and warehouse premises, located at No. 15 Defu Avenue 1 Singapore 539538, owned by Ascender Investment Pte. Ltd. The rental rate was agreed between our Group and Ascender Investment Pte. Ltd. having regard to prevailing market rental rate for similar premises, based on commercial terms and on an arm's length basis. With effect from 15 November 2011, rental for these premises was payable to an external party, after the property was sold by Ascender Investment Pte. Ltd. to the external party.

[2] As at 30 June 2012, a controlling shareholder of the Company (holding 23.57% of the issued and paid-up share capital of the Company), Mr. Ching Chiat Kwong, is a director and owns 100% of the shares of Hume Construction Pte. Ltd. and Oxley Construction Pte. Ltd., which are incorporated in Singapore. Hume Construction Pte. Ltd. is principally engaged in, inter alia, general contracting and building construction. Oxley Construction Pte. Ltd. is principally engaged in, inter alia, building construction, provision of interior design and interior consultancy services and interior decoration services.

[3] As at 30 June 2012, the wife of controlling shareholder, Mr. Ching Chiat Kwong, Mdm. Pang Siew Choo, owns 100% of the shares of Galaxy Builders Pte. Ltd., incorporated in Singapore. Pursuant to Chapter 9 of the Catalist Rules, Galaxy Builders Pte. Ltd. is an associate of Mr. Ching Chiat Kwong, and therefore an interested person. Galaxy Builders Pte. Ltd. is principally engaged in, inter alia, general contracting, building construction, other business support services and the provision of mechanical, electrical and general contractors engineering services.

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 2012.

CORPORATE GOVERNANCE STATEMENT

USE OF PROCEEDS FROM SHARE PLACEMENT

The Company refers to the net proceeds raised in November 2011 from the private placement of 32,000,000 new ordinary shares in the capital of the Company at an issue price of S$0.20 per ordinary share.

As at 30 June 2012, the Company has utilised all the net proceeds of S$6,367,000 for the following purposes of the Group:-

a) Investment in an associate, Hunan Cappuccino Construction Materials Co., Limited, amounting to S$5,967,000; and
b) Working capital purposes amounting to S$400,000.

NON-SPONSPOR FEES

In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid/payable to the Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited), for the financial year ended 30 June 2012.

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 2012.

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 of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50 except as follows:

	Direct interests		Deemed interests	
Name of directors and companies in which interests are held	At beginning of the reporting year	At end of the reporting year	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	68,150,000	21,900,000	–	46,250,000

By virtue of section 7 of the Singapore Companies Act, Chapter 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 2012 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 Singapore Companies Act, Chapter 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. Share Options

During the reporting year, no option to take up unissued shares of the company or any subsidiary was granted and there were no shares of the company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any subsidiary under option.

6. 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)

The audit committee performs the functions specified by section 201B(5) of the Singapore Companies Act, Chapter 50. Among other functions, it performed the following:

- Reviewed with the internal auditors their audit plan, results of their internal audit procedures and their evaluation of the adequacy of the group's system of internal accounting controls;

- Reviewed with the independent external auditors their audit plan, their evaluation of the company's internal accounting controls that are relevant to their audit and their audit findings;

- Reviewed the half yearly and annual financial statements of the group and the company and the independent auditors' report on the annual financial statements 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 the Singapore Exchange Securities Trading Limited).

The audit committee also meets with internal and external auditors without the presence of management at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the financial reporting and operational systems of the group.

Other functions performed by the audit committee are described in the Corporate Governance Statement included in the Annual Report. It also includes an explanation of how independent external auditors' objectivity and independence are safeguarded where the independent external 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 external auditors at the next annual general meeting of the company.

DIRECTORS' REPORT

7. Independent Auditors

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

8. Subsequent Developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 24 August 2012, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

Low Kok Ann
Director

Low See Ching
Director

13 September 2012

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of comprehensive income, 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 2012 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.

On Behalf of the Directors

Low Kok Ann
Director

Low See Ching
Director

13 September 2012

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED (Registration No: 200918637C)

Report on the Financial Statements

We have audited the accompanying financial statements of Hafary Holdings Limited (the "company") and its subsidiaries (collectively the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 30 June 2012, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the 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 financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 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.

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED (Registration No: 200918637C)

Opinion

In our opinion, 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 2012 and of 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 those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and Certified Public Accountants
Singapore

13 September 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		$'000	$'000
Revenue	5	63,073	60,354
Other Items of Income			
Interest Income		–	1
Other Credits	6	174	491
Items of Expense			
Changes in Inventories of Finished Goods		6,444	7,385
Purchases and Related Costs		(43,639)	(43,041)
Employee Benefits Expense	7	(10,376)	(7,688)
Depreciation Expense	14	(951)	(744)
Impairment Losses	8	(164)	(1,008)
Other Charges	6	(1)	(81)
Finance Costs	9	(1,079)	(653)
Other Expenses	10	(7,290)	(5,935)
Share of Loss From an Equity-Accounted Associate		(153)	–
Profit Before Income Tax		6,038	9,081
Income Tax Expense	11	(968)	(1,580)
Profit, Net of Tax and Total Comprehensive Income for the Year		5,070	7,501
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent		4,547	6,873
- Non-Controlling Interests		523	628
		5,070	7,501
		Cents	Cents
Basic and Diluted Earnings Per Share	12	2.5	4.2

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	14	31,570	5,031	263	339
Development Property	15	–	22,954	–	–
Other Assets, Non-Current	16	–	1,980	–	–
Investments in Subsidiaries	17	–	–	9,239	9,239
Investment in an Associate	18	5,895	–	–	–
Total Non-Current Assets		37,465	29,965	9,502	9,578
Current Assets					
Development Property	15	32,265	–	–	–
Inventories	19	30,241	23,964	–	–
Trade and Other Receivables	20	17,164	13,993	15,133	8,411
Other Assets	21	1,713	1,850	41	62
Cash and Cash Equivalents	22	4,984	3,273	121	112
Total Current Assets		86,367	43,080	15,295	8,585
Total Assets		123,832	73,045	24,797	18,163
EQUITY AND LIABILITIES					
Equity					
Share Capital	23	20,875	14,508	20,875	14,508
Retained Earnings		10,429	9,290	3,144	2,788
Equity, Attributable to Owners of the Parent		31,304	23,798	24,019	17,296
Non-Controlling Interests		1,701	1,388	–	–
Total Equity		33,005	25,186	24,019	17,296
Non-Current Liabilities					
Deferred Tax Liabilities	11	224	243	–	–
Other Financial Liabilities	24	19,091	20,103	162	221
Total Non-Current Liabilities		19,315	20,346	162	221
Current Liabilities					
Provision	25	276	265	–	–
Income Tax Payable		572	1,409	4	4
Trade and Other Payables	26	8,929	7,021	553	586
Derivative Financial Instruments	27	43	63	–	–
Other Financial Liabilities	24	37,441	18,632	59	56
Other Liabilities	28	24,251	123	–	–
Total Current Liabilities		71,512	27,513	616	646
Total Liabilities		90,827	47,859	778	867
Total Equity and Liabilities		123,832	73,045	24,797	18,163

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2012

Group:	Total Equity $'000	Attributable to Parent Subtotal $'000	Share Capital $'000	Retained Earnings $'000	Non-Controlling Interests $'000
Current Year:					
Opening Balance at 1 July 2011	25,186	23,798	14,508	9,290	1,388
Issue of Shares (Note 23)	6,400	6,400	6,400	–	–
Share Issue Expenses (Note 23)	(33)	(33)	(33)	–	–
Total Comprehensive Income for the Year	5,070	4,547	–	4,547	523
Dividends Paid (Note 13)	(3,408)	(3,408)	–	(3,408)	–
Dividends Paid to Non-Controlling Interests	(210)	–	–	–	(210)
Closing Balance at 30 June 2012	33,005	31,304	20,875	10,429	1,701
Previous 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
Dividends Paid (Note 13)	(650)	(650)	–	(650)	–
Dividends Paid to Non-Controlling Interests	(90)	–	–	–	(90)
Acquisition of a Non-Controlling Interest Without a Change in Control	(10)	6	–	6	(16)
Closing Balance at 30 June 2011	25,186	23,798	14,508	9,290	1,388

Company:	Total Equity $'000	Share Capital $'000	Retained Earnings $'000	Capital Reserve [1] $'000
Current Year:				
Opening Balance at 1 July 2011	17,296	14,508	2,788	–
Issue of Shares (Note 23)	6,400	6,400	–	–
Share Issue Expenses (Note 23)	(33)	(33)	–	–
Total Comprehensive Income for the Year	3,764	–	3,764	–
Dividends Paid (Note 13)	(3,408)	–	(3,408)	–
Closing Balance at 30 June 2012	24,019	20,875	3,144	–
Previous Year:				
Opening Balance at 1 July 2010	16,393	14,508	876	1,009
Total Comprehensive Income for the Year	1,553	–	1,553	–
Dividends Paid (Note 13)	(650)	–	(650)	–
Reclassification from Capital Reserve to Retained Earnings	–	–	1,009	(1,009)
Closing Balance at 30 June 2011	17,296	14,508	2,788	–

[1] 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 was 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 had been reclassified to retained earnings in the reporting year ended 30 June 2011.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2012

	2012	2011
	$'000	$'000
Cash Flows From Operating Activities		
Profit Before Income Tax	6,038	9,081
Interest Income	–	(1)
Interest Expense	1,079	653
Share of Loss From an Equity-Accounted Associate	153	–
Depreciation Expense	951	744
Loss/(Gain) on Disposal of Property, Plant and Equipment	1	(54)
Fair Value Gain on Derivative Financial Instruments	(20)	(397)
Operating Cash Flows Before Changes in Working Capital	8,202	10,026
Inventories	(6,277)	(7,062)
Trade and Other Receivables	(3,171)	(3,646)
Other Assets	137	(691)
Provision	11	10
Trade and Other Payables	1,908	2,083
Other Liabilities	542	123
Net Cash Flows From Operations	1,352	843
Income Taxes Paid	(1,824)	(981)
Net Cash Flows Used in Operating Activities	(472)	(138)
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(25,060)	(3,251)
Proceeds From Disposal of Property, Plant and Equipment	3	139
Payments for Development Property Costs	(8,782)	(22,700)
Progress Payments Received From Sale of Development Property	23,586	–
Investment in an Associate	(6,048)	–
Interest Income Received	–	1
Net Cash Flows Used in Investing Activities	(16,301)	(25,811)
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	(3,408)	(650)
Dividends Paid to Non-Controlling Interests	(210)	(90)
Decrease in Cash Restricted in Use Over 3 Months	–	244
Increase in Trust Receipts and Bills Payable	1,390	8,442
Repayment of Finance Lease Liabilities	(131)	(251)
Proceeds From New Bank Loans	31,285	19,718
Repayment of Bank Loans	(14,947)	(2,503)
Acquisition of Additional Interest in a Subsidiary	–	(10)
Issue of Shares	6,367	–
Interest Expense Paid	(1,862)	(907)
Net Cash Flows From Financing Activities	18,484	23,993
Net Increase/(Decrease) in Cash and Cash Equivalents	1,711	(1,956)
Cash and Cash Equivalents, Beginning Balance	3,273	5,229
Cash and Cash Equivalents, Ending Balance (Note 22)	4,984	3,273

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

1. General

Hafary Holdings Limited (the "company") is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

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

The principal activities of subsidiaries are described in Note 17 below.

The registered office and principal place of business of the company is located at 15 Defu Avenue 1 Singapore 539538.

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 Singapore Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of Presentation

The consolidated financial statements 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. The consolidated financial statements are the financial statements of the group presented as those of a single economic entity and 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 and other comprehensive income items and dividends are eliminated in full on consolidation. The results of any subsidiaries 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.

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 Singapore Companies Act, Chapter 50, no statement of income is presented for the company.

The equity accounting method is used for the associate in the consolidated financial statements.

2. Summary of Significant Accounting Policies (Cont'd)

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 note to the financial statements.

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 segments performance and deciding how to allocate resources to operating segments.

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. Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue from sale of goods which require installation is recognised by reference to the stage of completion of the transaction at the end of the reporting year determined by the proportion of the costs incurred to date to the estimated total costs of the transaction and the amount of revenue, stage of completion, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Rental income 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 income from equity instruments is recognised when the entity's right to receive payment is established. Interest income is recognised using the effective interest method. Revenue from sale of units in development property is recognised in accordance with the accounting policy on development property (see below).

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.

2. Summary of Significant Accounting Policies (Cont'd)

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 and associate 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.

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. 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 relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expenses items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

2. Summary of Significant Accounting Policies (Cont'd)

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 statement, the investments in subsidiaries are accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the investments in subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

Associate

An associate is an entity including an unincorporated entity in which the reporting entity has a substantial financial interest (usually not less than 20% of the voting power), significant influence and that is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The accounting for the investment in an associate is on the equity method. Under equity accounting, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value. The profit or loss reflects the reporting entity's share of the results of operations of the associate. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However, the entire carrying amount of the investment is tested under FRS 36 Impairment of Assets for impairment, by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount, whenever application of the requirements in FRS 36 indicates that the investment may be impaired. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate are changed where necessary to ensure consistency with the policies adopted by the reporting entity.

The reporting entity discontinues the use of the equity method from the date that it ceases to have significant influence over the associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at its fair value at the date that it ceases to be an associate.

In the company's own separate financial statements, the investment in the associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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 the investment in the associate is not necessarily indicative of the amount that would be realised in a current market exchange.

2. Summary of Significant Accounting Policies (Cont'd)

Business Combinations

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

There was no business combination during the reporting year.

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. 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.

Goodwill

Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill (and also an intangible asset with an indefinite useful life or an intangible asset not yet available for use) are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

2. Summary of Significant Accounting Policies (Cont'd)

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 takes a substantial period of time to get ready for its 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.

Leases

Whether an arrangement is, or contains, a lease, it 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.

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. The annual rates of depreciation are as follows:

Leasehold properties	-	Over the term of lease that is 7% to 8%
Plant and equipment	-	10% to 33%
Motor vehicles	-	20%

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.

2. Summary of Significant Accounting Policies (Cont'd)

Property, Plant and Equipment (Cont'd)

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 sold units in the development property are recognised in the profit or loss when significant risks and rewards of ownership are transferred to the buyer.

Impairment of Non-Financial Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. 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. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 other than goodwill 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 or amortisation, if no impairment loss had been recognised.

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 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.

2. Summary of Significant Accounting Policies (Cont'd)

Financial Assets

Initial recognition, 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.

#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 consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Cont'd)

Hedging

The entity is exposed to currency and interest rate risks. The policy is to reduce currency exposures through derivatives and other hedging instruments. From time to time, there may be foreign exchange arrangements or similar instruments entered into as hedges against changes in cash flows or the fair values of the financial assets and liabilities. They are carried at fair value. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in profit or loss. The derivatives and other hedging instruments used are described below in the notes to the financial statements.

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.

Financial Liabilities

Initial recognition, 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 expired. 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. Financial 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 designated as 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. Financial guarantee contracts, if significant, 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. 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 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.

2. Summary of Significant Accounting Policies (Cont'd)

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 and the 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 total of the fair value of the financial assets and other financial instruments, the maximum amount the entity could have to pay if the guarantee is called on and the full amount of any commitments on borrowings 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 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. Final dividends on equity are recognised as liabilities when they are approved by the shareholders. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

2. Summary of Significant Accounting Policies (Cont'd)

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 currently or 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.

Net realisable value of inventories:
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 $30,241,000 (2011: $23,964,000).

Allowance for doubtful trade accounts:
An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and 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 $16,654,000 (2011: $13,515,000).

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); or (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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

3. Related Party Relationships and Transactions (Cont'd)

#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.

#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	
	2012	**2011**
	$'000	**$'000**
Sale of goods	(807)	(744)
Rental expense	174	290

#3.3 Key management compensation:

	Group	
	2012	**2011**
	$'000	**$'000**
Salaries and other short-term employee benefits	1,371	1,253

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

	Group	
	2012	**2011**
	$'000	**$'000**
Remuneration of directors of the company	738	715
Fees to directors of the company	100	100

Key management personnel are the 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.

3. Related Party Relationships and Transactions (Cont'd)

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

The movements are as follows:

	Group	
	2012 $'000	2011 $'000
Other payables to directors:		
Balance at beginning of the year	(10)	(250)
Settlement of liabilities on behalf of the company	–	(90)
Amounts paid out	10	330
Balance at end of the year (Note 26)	–	(10)

	Company	
	2012 $'000	2011 $'000
Other receivables from subsidiaries:		
Balance at beginning of the year	7,228	5,617
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	7,975	1,400
Amounts paid in and settlement of liabilities on behalf of the company	(6,345)	(1,289)
Dividend income	3,700	1,500
Balance at end of the year (Note 20)	12,558	7,228

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

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

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

General segment 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

4. Financial Information by Operating Segments (Cont'd)

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

Project segment includes customers who are usually 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.

Others segment relates to investing activities including property development.

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 EBITD"); and (2) operating results before income taxes and other unallocated items ("ORBIT").

The tables below illustrated the information about the reportable segment profit or loss, assets and liabilities of the group.

4B. Profit or Loss from Continuing Operations and Reconciliations

	General	Project	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
2012:					
Revenue by segment:					
Total revenue by segment	48,898	32,999	–	75	81,972
Inter-segment sales	(8,141)	(10,758)	–	–	(18,899)
Total revenue	40,757	22,241	–	75	63,073
Recurring EBITD	5,807	2,374	(35)	75	8,221
Finance costs	(1,076)	(3)	–	–	(1,079)
Depreciation expense	(805)	(146)	–	–	(951)
Share of loss from an equity-accounted associate	–	–	(153)	–	(153)
ORBIT	3,926	2,225	(188)	75	6,038
Income tax expense					(968)
Profit, net of tax					5,070
2011:					
Revenue by segment:					
Total revenue by segment	46,496	31,730	–	32	78,258
Inter-segment sales	(8,764)	(9,140)	–	–	(17,904)
Total revenue	37,732	22,590	–	32	60,354
Recurring EBITD	6,876	3,570	–	32	10,478
Finance costs	(651)	(2)	–	–	(653)
Depreciation expense	(614)	(130)	–	–	(744)
ORBIT	5,611	3,438	–	32	9,081
Income tax expense					(1,580)
Profit, net of tax					7,501

4. Financial Information by Operating Segments (Cont'd)

4C. Assets, Liabilities and Reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2012:					
Segment assets	55,882	29,780	38,170	–	123,832
Segment liabilities	52,970	8,452	28,609	–	90,031
Deferred tax liabilities					224
Income tax payable					572
Total liabilities					90,827
2011:					
Segment assets	36,359	13,732	22,954	–	73,045
Segment liabilities	28,210	279	17,718	–	46,207
Deferred tax liabilities					243
Income tax payable					1,409
Total liabilities					47,859

4D. Other Material Items and Reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Impairment of assets, net – made/ (reversal):					
2012	193	(29)	–	–	164
2011	616	392	–	–	1,008
Non-current expenditure:					
2012	17,446	10,048	9,311	–	36,805
2011	1,472	195	22,954	–	24,621

4E. Geographical Information

	Revenue		Non-Current Assets	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Singapore	63,031	60,346	31,570	29,965
The People's Republic of China	–	–	5,895	–
Indonesia	42	8	–	–
Total	63,073	60,354	37,465	29,965

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

4F. Information About Major Customers

There was no customer with sale transactions over 10% of the group's revenue during the reporting year (2011: Nil).

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5. Revenue

	Group	
	2012 $'000	2011 $'000
Sale of goods	62,996	60,323
Rental income	13	6
Other income	64	25
	63,073	60,354

6. Other Credits and (Other Charges)

	Group	
	2012 $'000	2011 $'000
Foreign exchange adjustment gains/(losses), net	121	(81)
Fair value gain on derivative financial instruments	20	397
Commission income	1	–
Compensation income	1	7
(Loss)/gain on disposal of property, plant and equipment	(1)	54
Government grant income	7	8
Litigation settlement income	9	–
Sponsorships received	15	25
Net	173	410
Presented in profit or loss as:		
Other credits	174	491
Other charges	(1)	(81)
Net	173	410

7. Employee Benefits Expense

	Group	
	2012 $'000	2011 $'000
Salaries, bonuses and other short-term benefits	9,264	6,937
Contributions to defined contribution plan	1,112	751
Total employee benefits expense	10,376	7,688

8. Impairment Losses

	Group	
	2012 $'000	2011 $'000
Allowance for impairment of inventories	166	324
Allowance for impairment of trade receivables, (reversal)/made	(9)	640
Bad debts written off – trade receivables	12	45
Bad debts recovered – other receivables	(5)	(1)
Total impairment losses	164	1,008

9. Finance Costs

	Group	
	2012	**2011**
	$'000	**$'000**
Interest expense on:		
- bank loans	1,127	391
- bill payables	713	500
- finance lease liabilities	22	16
Less amounts included in the cost of qualifying assets:		
- property, plant and equipment	(254)	–
- development property	(529)	(254)
Total finance costs	1,079	653

10. Other Expenses

The major components include the following:

	Group	
	2012	**2011**
	$'000	**$'000**
Advertising	121	170
Casual labour	86	104
Commission	532	586
Entertainment and refreshment	217	186
Hire of equipment and motor vehicles	133	167
Legal and professional fees	711	413
Rental of premises	2,061	1,588
Repair and maintenance	189	233
Staff welfare	198	162
Transportation expense	543	400
Upkeep of forklifts	166	106
Upkeep of motor vehicles	609	490
Audit fees to the independent auditors of the company	135	140
Audit fees to the other independent auditors	8	–
Non-audit fees to the independent auditors of the company	37	70

11. Income Tax

11A. Components of tax expense/(income) recognised in profit or loss include:

	Group	
	2012	**2011**
	$'000	**$'000**
Current tax expense:		
Current tax expense	934	1,401
Under adjustments in respect of prior years	53	32
	987	1,433
Deferred tax (income)/expense:		
Deferred tax (income)/expense	(19)	147
Total income tax expense	968	1,580

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11. Income Tax (Cont'd)

11A. Components of tax expense/(income) recognised in profit or loss include (Cont'd):

The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2011: 17%) to profit before income tax as a result of the following differences:

	Group	
	2012 $'000	2011 $'000
Profit before income tax	6,038	9,081
Less: Share of loss from an equity-accounted associate	153	–
	6,191	9,081
Income tax expense at the above rate	1,053	1,544
Not deductible items	23	89
Tax exemptions	(133)	(86)
Under adjustments to current tax in respect of prior years	53	32
Reversal of deferred tax assets valuation allowance	–	(20)
Other minor items less than 3%	(28)	21
Total income tax expense	968	1,580

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

11B. Deferred tax (income)/expense recognised in profit or loss includes:

	Group	
	2012 $'000	2011 $'000
Excess of net book values of property, plant and equipment over tax values	(19)	147

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

	Group	
Deferred tax liabilities:	2012 $'000	2011 $'000
Excess of net book values of property, plant and equipment over tax values	224	243

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

12. 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	
	2012	2011
	$'000	$'000
Profit, net of tax attributable to owners of the parent	4,547	6,873

	Number of shares	
	2012	2011
	'000	'000
Weighted average number of equity shares	181,648	162,500

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

Basic earnings per share are calculated by dividing profit, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during each reporting year.

Diluted earnings per share for the reporting years are computed using the same basis as basic earnings per share as there are no potential dilutive ordinary shares.

13. Dividends on Equity Shares

	Group and Company	
	2012	2011
	$'000	$'000
Final tax exempt (1-tier) dividend paid of 0.9 cent (2011: 0.4 cent) per share	1,463	650
Interim tax exempt (1-tier) dividend paid of 1.0 cent (2011: Nil) per share	1,945	–
Total dividends paid during the year	3,408	650

In respect of the current reporting year, the directors propose that a final dividend of 1.5 cent per share with a total of $2,918,000 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 2012 is payable in respect of all ordinary shares in issue at the end of the reporting year and includes the new qualifying shares issued up to the date the dividend becomes payable.

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14. Property, Plant and Equipment

Group	Leasehold Properties $'000	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost:				
At 1 July 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
Additions	26,523	607	364	27,494
Disposals	–	(71)	(45)	(116)
At 30 June 2012	29,025	4,026	2,024	35,075
Accumulated depreciation:				
At 1 July 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
Depreciation for the year	269	397	285	951
Disposals	–	(67)	(45)	(112)
At 30 June 2012	570	1,804	1,131	3,505
Net book value:				
At 1 July 2010	2,391	1,247	555	4,193
At 30 June 2011	2,201	2,016	814	5,031
At 30 June 2012	28,455	2,222	893	31,570

Company	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost:			
At 1 July 2010	2	–	2
Additions	–	375	375
At 30 June 2011 and 30 June 2012	2	375	377
Accumulated depreciation:			
At 1 July 2010	1	–	1
Depreciation for the year	–	37	37
At 30 June 2011	1	37	38
Depreciation for the year	1	75	76
At 30 June 2012	2	112	114
Net book value:			
At 1 July 2010	1	–	1
At 30 June 2011	1	338	339
At 30 June 2012	–	263	263

The group's leasehold properties are mortgaged for bank facilities (Note 24).

Certain items are under finance lease agreements (Note 24H).

14. Property, Plant and Equipment (Cont'd)

Borrowing costs included in the cost of qualifying assets are as follows:

	Group	
	2012	2011
	$'000	$'000
Borrowing costs capitalised included in additions during the year	254	–
Accumulated interest capitalised included in the total costs	254	–

15. Development Property

	Group	
	2012	2011
	$'000	$'000
At cost:		
At beginning of the year	22,954	–
Amounts incurred during the year	9,311	22,954
At end of the year	32,265	22,954
Borrowing costs capitalised included in the additions during the year	529	254
Accumulated interest capitalised included in the total costs	783	254

On 11 October 2010, the group acquired freehold land parcel located at 79 Aljunied Road, Singapore 389822 (the "Aljunied Property"). The land area is 29,112 square feet.

At an Extraordinary General Meeting held on 22 July 2011, the company obtained the shareholders' approval to build a six-storey industrial building with gross floor area of 72,778 square feet on the Aljunied Property for sale.

During the reporting year, the group had entered sale and purchase agreements for all the units in the Aljunied Property. As at date of the financial statements, the construction of the building was approximately 80% completed.

The Aljunied Property is mortgaged to secure bank facilities (Note 24B). The interest expense capitalised in the development property is at 1.97% (2011: 2.19%) per annum of the drawdown loan amount.

The progress payments received from the sale of units in the development property are classified under other liabilities in Note 28 below.

16. Other Assets, Non-Current

	Group	
	2012	2011
	$'000	$'000
Advance payments for acquisition of properties	–	1,980

During the reporting year ended 30 June 2011, the company acquired 105 Eunos Avenue 3, Singapore 409836 and 3 Changi North Street 1, Singapore 498824 for cash consideration of $9,800,000 and $10,000,000 respectively. The acquisitions were completed during the current reporting year and the advance payments made as at 30 June 2011 had been reclassified to leasehold properties under property, plant and equipment in Note 14 above.

17. Investments in Subsidiaries

	Company 2012 $'000	Company 2011 $'000
Unquoted shares at cost	9,239	9,239
Net book value of subsidiary	11,886	17,370

The subsidiaries held by the company and the group are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in the books of the company 2012 $'000	Cost in the books of the company 2011 $'000	Equity held 2012 %	Equity held 2011 %
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 Distribute and wholesale of building materials			70	70
Surface Stone Pte. Ltd. Singapore Dealer of stones for home furnishing			90	90
Wood Culture Pte. Ltd. Singapore Dealer of wood for home furnishing			80	80
Hafary Centre Pte. Ltd. Singapore Investment holding			100	100
Hafary China Pte. Ltd. Singapore (Incorporated on 2 September 2011) Investment holding			100	–
Hafary Vietnam Pte. Ltd. Singapore (Incorporated on 2 September 2011) Investment holding			100	–

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

18. Investment in an Associate

	Group	
	2012 $'000	2011 $'000
Unquoted equity shares at cost	5,241	–
Goodwill at cost	807	–
Share of post-acquisition losses	(153)	–
	5,895	–
Movements in carrying value:		
At beginning of the year	–	–
Addition	6,048	–
Share of loss for the year	(153)	–
At end of the year	5,895	–
Share of net book value of associate	3,110	–

The cost of investment in the associate is denominated in Chinese Renminbi.

The associate held by the group is listed below:

Name of associate, country of incorporation, place of operations and principal activities	Equity held	
	2012 %	2011 %
Hunan Cappuccino Construction Materials Co., Limited The People's Republic of China Manufacturing and trading of ceramic tiles and building materials	45	–

The associate is audited by RSM China CPA Firm Shanghai International Division, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

The summarised financial information of the associate, not adjusted for the percentage ownership held by the group, is as follows:

	Group	
	2012 $'000	2011 $'000
Assets	15,802	–
Liabilities	8,892	–
Revenue	–	–
Loss for the year	(340)	–

19. Inventories

	Group	
	2012	2011
	$'000	$'000
Goods held for resale	30,241	23,964
Inventories are stated after allowance as follows:		
Balance at beginning of the year	657	333
Charged to profit or loss included in impairment losses	166	324
Balance at end of the year	823	657

There are no inventories pledged as security for liabilities.

20. Trade and Other Receivables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	17,732	14,602	4	1
Less: Allowance for impairment	(1,078)	(1,087)	–	–
Subsidiaries (Note 3)	–	–	2,571	1,182
Subtotal	16,654	13,515	2,575	1,183
Other receivables:				
Subsidiaries (Note 3)	–	–	12,558	7,228
Staff loans	32	44	–	–
Refundable deposits	438	390	–	–
Others	40	44	–	–
Subtotal	510	478	12,558	7,228
Total trade and other receivables	17,164	13,993	15,133	8,411

	Group	
	2012	2011
	$'000	$'000
Movements in above allowance:		
Balance at beginning of the year	1,087	512
(Reversed)/charged to profit or loss included in impairment losses	(9)	640
Bad debts written off	–	(65)
Balance at end of the year	1,078	1,087

21. Other Assets

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Advance payments to suppliers	1,445	1,156	–	–
Prepayments	138	678	41	62
Deposits to secure services	130	16	–	–
	1,713	1,850	41	62

22. Cash and Cash Equivalents

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Not restricted in use	4,984	3,273	121	112

There is no interest earning balance.

22A. Non-Cash Transaction:

During the reporting year, a motor vehicle with a cost of $200,000 (2011: $396,000) was acquired by means of finance leases.

23. Share Capital

Group and company:	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 July 2010 and 30 June 2011	162,500	14,508
Issue of shares pursuant to private placement	32,000	6,400
Share issue expenses	–	(33)
Balance at 30 June 2012	194,500	20,875

On 24 November 2011, the company issued 32,000,000 new ordinary shares of no par value at an issue price of $0.20 for each ordinary share in a private placement exercise.

The ordinary shares of no par value which are fully paid carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends when declared by the company. All ordinary shares carry one vote per share without restrictions. 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 Catalist and has appointed a sponsor to comply with the Catalist Rules and to facilitate certain corporate actions including rights issues, placement of shares, company warrants or other convertible securities for cash, major transactions, transactions requiring shareholders' approval and schemes of arrangement.

Capital Management:

The objectives when managing capital are: to safeguard the 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.

23. Share Capital (Cont'd)

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

	Group	
	2012 $'000	2011 $'000
Net debt:		
All current and non-current borrowings including finance lease liabilities	56,532	38,735
Less: Cash and cash equivalents	(4,984)	(3,273)
	51,548	35,462
Adjusted capital:		
Total equity	33,005	25,186
Debt-to-adjusted capital ratio	156.2%	140.8%

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

24. Other Financial Liabilities

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-current:				
Bank loans A (secured) (Note 24A)	1,491	2,014	–	–
Bank loans B (secured) (Note 24B)	–	17,718	–	–
Bank loans C (secured) (Note 24C)	8,357	–	–	–
Bank loans D (secured) (Note 24D)	8,847	–	–	–
Finance lease liabilities (Note 24H)	396	371	162	221
Non-current, total	19,091	20,103	162	221
Current:				
Bank loans A (secured) (Note 24A)	1,466	1,154	–	–
Bank loans B (secured) (Note 24B)	5,003	–	–	–
Bank loans C (secured) (Note 24C)	329	–	–	–
Other bank loans (secured) (Note 24E)	12,509	–	–	–
Other bank loans (unsecured) (Note 24F)	–	778	–	–
Trust receipts and bills payable (Note 24G)	17,963	16,573	–	–
Finance lease liabilities (Note 24H)	171	127	59	56
Current, total	37,441	18,632	59	56
Total	56,532	38,735	221	277
The non-current portion is repayable as follows:				
Due within 2 to 5 years	13,071	20,103	162	221
Due more than 5 years	6,020	–	–	–
	19,091	20,103	162	221

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24. Other Financial Liabilities (Cont'd)

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

	Group	
	2012	2011
Bank loans A (secured)	2.38% to 2.68%	2.56%
Bank loans B (secured)	1.97% to 2.19%	2.19%
Bank loans C (secured)	1.97% to 2.08%	–
Bank loans D (secured)	1.71% to 2.25%	–
Other bank loans (secured)	1.97% to 2.17%	–
Trust receipts and bills payable	2.13% to 6.25%	1.19% to 6.25%

The ranges of fixed interest rates per annum paid were as follows:

	Group	
	2012	2011
Finance lease liabilities	1.88% to 2.50%	1.88% to 3.99%
Other bank loans (unsecured)	–	5.00%

24A. Bank Loans A (Secured)

These relate to loans for the acquisition of a leasehold property of the group and working capital purpose.

The agreement for the bank loans provides 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 property with a carrying value of $3,449,000 (2011: $2,201,000) (Note 14).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

24B. Bank Loans B (Secured)

This relates to loan for the 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 by one lump sum within 6 months after issuance of the Temporary Occupancy Permit or on April 2013, whichever is earlier.
(ii) First legal mortgage over the development property with a carrying value of $32,265,000 (2011: $22,954,000) (Note 15).
(iii) Corporate guarantee from the company of $37,500,000 (2011: $37,500,000).
(iv) Need to comply with certain financial covenants.

24. Other Financial Liabilities (Cont'd)

24C. Bank Loans C (Secured)

These relate to loans for the acquisition of land and construction of the leasehold property at 3 Changi North Street 1, Singapore 498824.

The agreement for the bank loans provides among other matters for the following:

(i) The land loan is repayable by equal monthly instalments over 20 years from the date of disbursement.
(ii) The construction loan is repayable by monthly instalments after issuance of the Temporary Occupation Permit or on 30 June 2013, whichever is earlier.
(iii) A first legal mortgage over the leasehold property with a carrying value of $12,449,000 (2011: Nil) (Note 14).
(iv) Corporate guarantees from the company and a certain subsidiary of $19,160,000 (2011: Nil) each.
(v) Need to comply with certain financial covenants.

24D. Bank Loans D (Secured)

These relate to loans for the acquisition of land and construction of the leasehold property at 105 Eunos Avenue 3, Singapore 409836.

The agreement for the bank loans provides among other matters for the following:

(i) Repayable by one lump sum within 6 months after issuance of the Temporary Occupation Permit or on 31 March 2014, whichever is earlier.
(ii) A first legal mortgage over the leasehold property with a carrying value of $12,557,000 (2011: Nil) (Note 14).
(iii) Corporate guarantees from the company and certain subsidiary of $19,160,000 (2011: Nil) each.
(iv) Need to comply with certain financial covenants.

24E. Other Bank Loans (Secured)

These relate to loans for working capital purpose.

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

(i) Fully repayable by one lump sum within 6 months (unless rolled over for another interest period up to 6 months) or 12 months of drawdown dates.
(ii) Corporate guarantee from the company.
(iii) Need to comply with certain financial covenants.

24F. Other Bank Loans (Unsecured)

These loans were repayable by equal monthly instalments over 7 months to 4 years from the drawn down dates. They were guaranteed by the company and had been repaid during the current reporting year.

24G. Trust Receipts and Bills Payable

These are repayable within 150 to 180 days (2011: 120 to 150 days) and are guaranteed by the company.

24. Other Financial Liabilities (Cont'd)

24H. Finance Lease Liabilities

Group:	Minimum payments $'000	Finance charges $'000	Present value $'000
2012			
Minimum lease payments payable:			
Due within one year	189	(18)	171
Due within 2 to 5 years	417	(21)	396
Total	606	(39)	567
Net book value of plant and equipment under finance leases			715
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
Company:			
2012			
Minimum lease payments payable:			
Due within one year	66	(7)	59
Due within 2 to 5 years	170	(8)	162
Total	236	(15)	221
Net book value of plant and equipment under finance leases			263
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 2.50% (2011: 1.88% and 3.99%) per annum. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessors' charge over the leased assets.

25. Provision

	Group	
	2012	2011
	$'000	$'000
Provision for rebates	276	265
Movements in above provision:		
Balance at beginning of the year	265	255
Additions	276	265
Used	(265)	(255)
Balance at end of the year	276	265

26. Trade and Other Payables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	7,693	6,868	553	586
Other payables:				
Directors (Note 3)	–	10	–	–
Outside parties	1,236	143	–	–
Subtotal	1,236	153	–	–
Total trade and other payables	8,929	7,021	553	586

27. Derivative Financial Instruments

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

	Group	
	2012	2011
	$'000	$'000
Liabilities:		
Forward currency contracts with negative fair values, net	43	63
The movements during the year were as follows:		
Balance at beginning of the year	63	460
Reversed to profit or loss under other credits	(20)	(397)
Balance at end of the year	43	63

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.

27. Derivative Financial Instruments (Cont'd)

Reference currency of forward currency contracts	Principal	Maturity dates	Fair value
	$'000		$'000
2012:			
Euro	1,860	6 July 2012 to 21 December 2012	40
United States dollar	4,189	5 July 2012 to 31 December 2012	3
	6,049		43
2011:			
Euro	3,155	11 July 2011 to 20 December 2011	(32)
United States dollar	6,198	21 July 2012 to 30 December 2011	95
	9,353		63

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

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 and willing market participants would consider in setting the price.

The fair value of forward currency contracts is based on the current value of the difference between the contractual exchange rates and the market rates at the end of the reporting year. The fair value is regarded as a Level 2 fair value measurement for financial instruments (Note 29C.2).

28. Other Liabilities

	Group	
	2012	2011
	$'000	$'000
Progress payments received from sale of development property (Note 15)	23,586	–
Advance payments received from customers	665	123
	24,251	123

29. Financial Instruments: Information on Financial Risks

29A. 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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial assets:				
Cash and bank balances	4,984	3,273	121	112
Loans and receivables	17,164	13,993	15,133	8,411
	22,148	17,266	15,254	8,523
Financial liabilities:				
Other financial liabilities at amortised cost	56,532	38,735	221	277
Trade and other payables at amortised cost	8,929	7,021	553	586
Derivative financial instruments	43	63	–	–
	65,504	45,819	774	863

Further quantitative disclosures are included throughout these financial statements.

29B. 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, liquidity risk and market risk comprising interest rate risk and currency risk exposures. 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) All financial risk management activities are carried out and monitored by senior management staff.
(iv) All financial risk management activities are carried out following market practices.
(v) When appropriate, consideration is given to investing in shares or similar instruments.
(vi) When appropriate, consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

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

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

29. Financial Instruments: Information on Financial Risks (Cont'd)

29C. Fair Values of Financial Instruments

29C.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.

29C.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 $43,000 (2011: $63,000). This is measured at Level 2 of the fair value hierarchy.

29D. 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 with banks and any other financial instruments is limited because the other 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 on customers as the exposure is spread over a large number of counter-parties and customers.

Cash and cash equivalents disclosed in Note 22 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 (2011: 60 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2012	**2011**
	$'000	**$'000**
Trade receivables:		
61 to 90 days	1,724	1,651
Over 90 days	5,256	3,843
Total	6,980	5,494

29. Financial Instruments: Information on Financial Risks (Cont'd)

29D. Credit Risk on Financial Assets (Cont'd)

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

	Group	
	2012	2011
	$'000	$'000
Trade receivables:		
Over 90 days	1,078	1,087

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $1,078,000 (2011: $1,087,000) of the group that are determined to be impaired at the end of the reporting year. These are not secured.

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

29E. 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:

Group	Less than 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
2012:				
Gross borrowings commitments	37,984	13,403	6,797	58,184
Gross finance lease obligations	189	417	–	606
Trade and other payables	8,929	–	–	8,929
	47,102	13,820	6,797	67,719
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

Company	Less than 1 year $'000	2 to 5 years $'000	Total $'000
2012:			
Gross finance lease obligations	66	170	236
Trade and other payables	553	–	553
	619	170	789
2011:			
Gross finance lease obligations	65	236	301
Trade and other payables	586	–	586
	651	–	887

29. Financial Instruments: Information on Financial Risks (Cont'd)

29E. Liquidity Risk (Cont'd)

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

	Less than 1 year	
	2012	2011
	$'000	$'000
Group		
Forward currency contracts:		
Derivative financial liabilities	(43)	(63)

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.

Financial guarantee contracts - 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:

Group	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	Total $'000
2012:				
Financial guarantee contracts in favour of subsidiaries (Note 3)	37,271	12,673	6,021	55,965
2011:				
Financial guarantee contracts in favour of subsidiaries (Note 3)	18,505	19,733	–	38,238

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 (2011: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activities are expected to generate cash inflows.

Bank facilities:

	Group	
	2012	2011
	$'000	$'000
Undrawn borrowing facilities	15,130	11,827

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. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

29. Financial Instruments: Information on Financial Risks (Cont'd)

29F. 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial liabilities:				
Fixed rates	567	1,276	221	277
Floating rates	55,965	37,459	–	–
	56,532	38,735	221	277

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

Sensitivity analysis:

	Group	
	2012	2011
	$'000	$'000
A hypothetical increase in interest rates by 10 basis points with all other variables held constant would have decreased pre-tax profit by	57	39

The analysis has been performed 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 to be not significant. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing 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).

29G. Foreign Currency Risk

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

Group:	United States dollar	Euro	Total
Financial liabilities:	$'000	$'000	$'000
2012:			
Other financial liabilities	9,649	3,763	13,412
Trade and other payables	335	344	679
	9,984	4,107	14,091
2011:			
Other financial liabilities	8,582	3,664	12,246
Trade and other payables	726	250	976
	9,308	3,914	13,222

29. Financial Instruments: Information on Financial Risks (Cont'd)

29G. Foreign Currency Risk (Cont'd)

There is exposure to foreign currency risk as part of the group's normal business. In particular, there is significant exposure to United States dollar and Euro currency risk due to the large value of purchases denominated in these currencies. In this respect, forward currency contracts are entered into for the purpose of hedging the purchases in United States dollar and Euro. Note 27 illustrates the forward currency contracts in place at the end of the reporting year.

Sensitivity analysis:

	Group	
	2012	2011
	$'000	$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the following currencies with all other variables held constant would increased pre-tax profit by:		
United States dollar	998	931
Euro	411	391

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in the foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

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 group has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

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

30. Capital and Other Commitments

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

	Group	
	2012	2011
	$'000	$'000
Commitments to construct or develop leasehold properties	20,311	17,820
Commitments to construct or develop development property	9,200	–
Commitments to purchase property, plant and equipment	48	–

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

31. Operating Lease Payment Commitments

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

	Group	
	2012	2011
	$'000	$'000
Not later than one year	1,957	156
Later than one year and not later than five years	2,273	624
Later than five years	8,945	1,020
Rental expense for the year	2,061	1,583

Operating lease payments are for rentals payable for the group's office, warehouses and retail premises. The lease rental terms are negotiated for terms 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.

32. Contingent Liabilities

On June 2012, Hafary China Pte. Ltd., a wholly-owned subsidiary of the group, and certain other shareholders of an associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM") provided guarantees for a bank facility of RMB60,000,000 (approximately $12,000,000) extended by a bank in the People's Republic of China to HCCM. Up to the date of the financial statements, HCCM has drawn down part of the bank loan facillity amounting to RMB26,000,000 (approximately $5,200,000).

33. Event Subsequent to the End of the Reporting Year

On 1 July 2012, the group incorporated a company in Singapore, Melmer Stoneworks Pte. Ltd., which has an issued and paid-up share capital of $10. The group owns 50% interest in this joint venture company.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

34. Changes and Adoption of Financial Reporting Standards

For the reporting year ended 30 June 2012, the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Amendments to)
FRS 24	Related Party Disclosures (Revised)
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 34	Interim Financial Reporting (Amendments to)
FRS 103	Business Combinations (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to) - Transfers of Financial Assets
INT FRS 113	Customer Loyalty Programmes (Amendments to) (*)
INT FRS 114	Prepayments of a Minimum Funding Requirement (Revised) (*)
INT FRS 115	Agreements for the Construction of Real Estate

(*) Not relevant to the entity.

35. 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	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets	1 January 2012
FRS 19	Employee Benefits	1 January 2013
FRS 27	Separate Financial Statements	1 January 2014
FRS 28	Investments in Associates and Joint Ventures	1 January 2014
FRS 32	Financial Instruments: Presentation (Amendments to) – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 107	Financial Instruments: Disclosures (Amendments to) – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
FRS 113	Fair Value Measurement	1 January 2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)	1 January 2013

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS
AS AT 10 SEPTEMBER 2012

Number of shares	:	194,500,000
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	58	41.14	433,000	0.22
10,001 - 1,000,000	74	52.48	6,947,000	3.57
1,000,001 AND ABOVE	9	6.38	187,120,000	96.21
TOTAL	**141**	**100.00**	**194,500,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Low Kok Ann [1]	37,700,000	19.38	–	–
Low See Ching [1]	21,900,000	11.26	46,250,000 [2]	23.77
Dr Low Bee Lan Audrey [1]	22,752,000	11.70	–	–
Ching Chiat Kwong	30,000,000	15.42	15,850,000 [3]	8.15

1 Low Kok Ann is the father of Low See Ching and Dr Low Bee Lan Audrey.

2 30,000,000 shares are held in the name of Bank of Singapore Nominees Pte Ltd and 16,250,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd.

3 15,850,000 shares are held in the name of Bank of Singapore Nominees Pte Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 10 SEPTEMBER 2012

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	BANK OF SINGAPORE NOMINEES PTE LTD	54,342,000	27.94
2	LOW KOK ANN	37,700,000	19.38
3	CHING CHIAT KWONG	30,000,000	15.42
4	LOW BEE LAN AUDREY	22,752,000	11.70
5	LOW SEE CHING (LIU SHIJIN)	21,900,000	11.26
6	HONG LEONG FINANCE NOMINEES PTE LTD	16,280,000	8.37
7	PHILLIP SECURITIES PTE LTD	1,854,000	0.95
8	MAYBANK KIM ENG SECURITIES PTE LTD	1,200,000	0.62
9	MAYBAN NOMINEES (S) PTE LTD	1,092,000	0.56
10	PHOON WAIE KUAN	836,000	0.43
11	RAMESH S/O PRITAMDAS CHANDIRAMANI	800,000	0.41
12	LEE WAN LING (LI WANLING)	566,000	0.29
13	TEE WEE SIEN (ZHENG WEIXIAN)	343,000	0.18
14	GOH KEE CHOO	259,000	0.13
15	TAY ENG KIAT JACKSON	250,000	0.13
16	EVANGELIN YEW LEET LING (EVANGELIN YAO LILING)	220,000	0.11
17	NGEW CHIN LEE	210,000	0.11
18	UOB KAY HIAN PTE LTD	203,000	0.10
19	FIONA SOH SIOK LAN	201,000	0.10
20	CHAN LIN GING @CHAN LIN JING JANE	200,000	0.10
	TOTAL	**191,208,000**	**98.29**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

10.31% 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 Friday, 12 October 2012 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 30 June 2012 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 1.5 cent per ordinary share one-tier tax-exempt for the year ended 30 June 2012 (2011: 0.9 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:
   Mr Low Kok Ann **(Resolution 3)**
   Mr Terrance Tan Kong Hwa **(Resolution 4)**

   Mr Terrance Tan Kong Hwa will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent.

4. To approve the payment of Directors' Fees of S$100,000 for the year ended 30 June 2012 (2011: S$100,000). **(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.

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(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;

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

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

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

8. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalist, for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting dated 27 September 2012 (the "Appendix") with any party who falls within the classes of Interested Persons as described in the Appendix, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");

NOTICE OF ANNUAL GENERAL MEETING

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, 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; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary
Singapore, 27 September 2012

Explanatory Notes:

(i) The proposed Ordinary Resolution 7 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.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The proposed Ordinary Resolution 8 relating to the renewal of a mandate given by the Shareholders on 13 June 2012, if passed, will allow the Company, its subsidiaries and associated companies to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalist. Details of the proposed Renewal of the Shareholders' Mandate for Interested Person Transactions are set out in the Appendix to this Notice of Annual General Meeting. The Audit Committee of the Company has confirmed that the review methods and procedures for determining the terms of such transactions have not changed since the Shareholders' approval at the Extraordinary General Meeting of 13 June 2012 and that such review methods and procedures are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its minority Shareholders.

NOTICE OF ANNUAL GENERAL MEETING

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.

APPENDIX DATED 27 SEPTEMBER 2012

This Appendix is circulated to the Shareholders of Hafary Holdings Limited (the "**Company**") together with the Company's Notice of Annual General Meeting dated 27 September 2012. Its purpose is to provide information to the Shareholders in relation to the proposed renewal of the Shareholders' Mandate (as hereinafter defined) to be tabled at the Annual General Meeting of the Company to be held on Friday, 12 October 2012 at 9.30 a.m. at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095.

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, please forward this Appendix, the Notice of Annual General Meeting and the Proxy Form immediately to the purchaser or the transferee or to the agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. (the "**Sponsor**") (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Appendix. This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Mr. Alex Tan Tiong Huat, Managing Director, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, Telephone: (65) 6854 6160.

HAFARY HOLDINGS LIMITED

Incorporated in the Republic of Singapore

Company Registration Number 200918637C

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

DATED 27 SEPTEMBER 2012

IN RELATION TO

THE PROPOSED RENEWAL OF
THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

CONTENTS

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated or the context otherwise requires:-

"**AGM**"	: The annual general meeting of the Company to be held on 12 October 2012
"**Appendix**"	: This Appendix to the Notice of AGM dated 27 September 2012
"**Audit Committee**"	: The audit committee of the Company from time to time
"**Board**"	: The board of Directors of the Company as at the date of this Appendix
"**Bullish Investment**"	: Bullish Investment Pte. Ltd.
"**Catalist**"	: The Catalist Board of the SGX-ST
"**Catalist Rules**"	: Any or all of the rules in the SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, varied or supplemented from time to time
"**CDP**"	: The Central Depository (Pte) Limited
"**Circular**"	: The Company's Circular to the Shareholders dated 29 May 2012
"**Company**"	: Hafary Holdings Limited
"**Companies Act**"	: The Companies Act, Chapter 50, of Singapore, as amended, varied or supplemented from time to time, and any enactment thereof
"**Directors**"	: The directors of the Company as at the date of this Appendix
"**EGM**"	: The extraordinary general meeting of the Company held on 13 June 2012 and during which the Shareholders approved the Shareholders' Mandate
"**Financial Controller**"	: The financial controller of the Company
"**Galaxy Builders**"	: Galaxy Builders Pte. Ltd.
"**Group**"	: The Company and its subsidiaries
"**Hume Construction**"	: Hume Construction Pte. Ltd.
"**Independent Directors**"	: The independent Directors of the Company as at the date of this Appendix, being Ong Beng Chye, Terrance Tan Kong Hwa, and Chow Wen Kwan Marcus
"**Interested Persons**"	: The members of the Oxley Group, Galaxy Builders, Hume Construction and Oxley Construction and each an "**Interested Person**"

DEFINITIONS

"**Interested Person Transactions**"	:	The categories of transactions with Oxley Group, Galaxy Builders, Hume Construction and Oxley Construction which fall within the scope of the Shareholders' Mandate, as set out in paragraph 3.2 of this Appendix
"**Latest Practicable Date**"	:	17 September 2012, being the latest practicable date prior to the printing of this Appendix
"**Notice of AGM**"	:	The notice convening the AGM dated 27 September 2012
"**NTA**"	:	Net tangible assets
"**Ordinary Resolution 8**"	:	Ordinary resolution 8 as set out in the Notice of AGM
"**Oxley Construction**"	:	Oxley Construction Pte. Ltd.
"**Oxley Group**"	:	Oxley Holdings Limited and its subsidiaries
"**Oxley Holdings Limited**"	:	Oxley Holdings Limited, a company listed on Catalist
"**Securities Account**"	:	The securities account maintained by a depositor with the CDP
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	Registered holders of Shares, except that where the registered holder is the CDP, the term "**Shareholders**" shall, in relation to such Shares, mean the persons whose direct Securities Accounts maintained with the CDP are credited with the Shares
"**Shareholders' Mandate**"	:	The general mandate granted by the Shareholders at the EGM pursuant to Chapter 9 of the Catalist Rules for the Group to enter into specified transactions with Oxley Group, Galaxy Builders, Hume Construction and Oxley Construction
"**Shares**"	:	Ordinary shares in the share capital of the Company
"**subsidiary**"	:	Has the meaning ascribed to it in the Companies Act and "**subsidiaries**" shall be construed accordingly
"**Threshold 1**"	:	Has the meaning ascribed to it in paragraph 2.2(a) of this Appendix
"**Threshold 2**"	:	Has the meaning ascribed to it in paragraph 2.2(i) of this Appendix
"**S$**"	:	Singapore dollars
"**%**"	:	Per centum or percentage

DEFINITIONS

The terms "**depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations and *vice versa*.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Catalist Rules or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or the Catalist Rules or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included in this Appendix between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

HAFARY HOLDINGS LIMITED

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

LETTER TO SHAREHOLDERS

Directors:-

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

Registered Office:-

15 Defu Avenue 1
Singapore 539538

27 September 2012

To:- The Shareholders of Hafary Holdings Limited

Dear Sir/Madam

PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

We refer to the Notice of Annual General Meeting of Hafary Holdings Limited dated 27 September 2012 convening the annual general meeting (the "**AGM**") of the Company to be held on 12 October 2012 (the "**Notice of AGM**"). In particular, we refer to Ordinary Resolution 8 being the Renewal of the Shareholders' Mandate for Interested Person Transactions.

At an extraordinary general meeting of the Company held on 13 June 2012 (the "**EGM**"), approval of the Shareholders was obtained for a general mandate (the "**Shareholders' Mandate**") to enable the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions (as defined in the Company's circular to Shareholders dated 29 May 2012 (the "**Circular**")) set out in the Circular, with the Interested Persons (as defined in the Circular), provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority Shareholders, and are in accordance with the review procedures for Interested Person Transactions (as defined in the Circular) as set out in the Circular. Pursuant to Chapter 9 of the Catalist Rules, the Shareholders' Mandate will continue in force until the AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM, to take effect until the next AGM to be held in year 2013.

The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the Shareholders' Mandate. Shareholders may wish to note that the Shareholders' Mandate will be renewed on the same terms as first approved at the EGM.

2. CHAPTER 9 OF THE CATALIST RULES

2.1 **Background.** Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an "entity at risk") enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purposes of Chapter 9 of the Catalist Rules:-

(a) an "**entity at risk**" means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange, or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;

(b) an "**associated company**" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;

(c) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Catalist Rules;

(d) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company, or an associate of such director, chief executive officer or controlling shareholder;

(e) a "**controlling shareholder**" is a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the listed company (unless otherwise excepted by the SGX-ST) or in fact exercises control over the listed company;

(f) an "**associate**", in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e., spouse, child, adopted child, stepchild, sibling and parent), the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An "**associate**" in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more; and

(g) an "**interested person transaction**" means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

2.2 **Financial Thresholds.** Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9 of the Catalist Rules, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

LETTER TO SHAREHOLDERS

In particular, an immediate announcement is required where:-

(a) the value of a proposed transaction is equal to or exceeds 3% of the listed group's latest audited consolidated NTA ("**Threshold 1**"); or

(b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 1. In this instance, an announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year.

Shareholders' approval is required where:-

(i) the value of a proposed transaction is equal to or exceeds 5% of the listed group's latest audited consolidated NTA ("**Threshold 2**"); or

(ii) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 2. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by shareholders.

The abovementioned requirements for immediate announcement and shareholders' approval do not apply to any transaction below S$100,000.

2.3 **Illustration.** For illustration purposes, based on the Group's latest audited accounts for the financial year ended 30 June 2012, the Group's latest audited consolidated NTA as at 30 June 2012 is approximately S$31,304,000. Accordingly, in relation to the Group, for the purposes of Chapter 9 of the Catalist Rules in the current financial year, the Shareholders' approval is required where:-

(a) the transaction is of a value equal to, or more than, approximately S$1,565,000, being 5% of the Group's latest audited consolidated NTA; or

(b) the transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is of a value equal to, or more than, approximately S$1,565,000. The aggregation will exclude any transaction that has been approved by the Shareholders previously, or is the subject of aggregation with another transaction that has been approved by the Shareholders.

The provisions above exclude transactions below S$100,000.

2.4 **General Mandate.** Part VIII of Chapter 9 of the Catalist Rules allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.

3. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

3.1 Classes of Interested Persons

3.1.1 The classes of interested persons covered under the current Shareholders' Mandate are:-

(a) the members of the Oxley Group;

(b) Galaxy Builders;

(c) Hume Construction; and

(d) Oxley Construction,

(collectively, the "**Interested Persons**").

3.1.2 The Oxley Group is a property developer specialising in residential and commercial developments. Its business model is centered on creating quality lifestyle-focused residential developments, developing mainly freehold / 999 year leasehold properties in choice precincts and injecting vibrancy to its industrial and commercial developments through the incorporation of quality lifestyle features, facilities and retail elements wherever possible.

3.1.3 Mr. Ching Chiat Kwong, who is a controlling Shareholder of the Company (holding 23.57% of the issued and paid-up share capital of the Company), is a director of Oxley Holdings Limited. As at the Latest Practicable Date, Mr. Ching Chiat Kwong holds 41.69% of the issued and paid-up share capital of Oxley Holdings Limited. As Mr. Ching Chiat Kwong holds more than 30% of the issued and paid-up share capital of Oxley Holdings Limited, the members of the Oxley Group are associates of Mr. Ching Chiat Kwong pursuant to the definition set out in the Catalist Rules (please see paragraph 2.1(f) above).

3.1.4 Similarly, Mr. Low See Ching who is a controlling Shareholder (holding 35.04% of the issued and paid-up share capital of the Company) and the chief executive officer of the Company is also a director of Oxley Holdings Limited. As at the Latest Practicable Date, Mr. Low See Ching holds 27.96% of the issued and paid-up share capital of Oxley Holdings Limited. Pursuant to an agreement made between Bullish Investment, Mr. Low See Ching and Mr. Ching Chiat Kwong (together, the "**Concert Parties**") on 18 November 2011, the Concert Parties agreed that they would act in concert in respect of the voting rights attached to all shares in Oxley Holdings Limited in which they have interests, whether direct or deemed, and to exercise such voting rights unanimously at all times. As such, the Concert Parties would be deemed to have a combined shareholding of 67.6% in Oxley Holdings Limited, and the members of the Oxley Group are associates of the Concert Parties.

Accordingly, transactions between the Group and the members of the Oxley Group constitute Interested Person Transactions.

3.1.5 In addition, Mr. Ching Chiat Kwong is a director of and also owns 100% of the shares of Hume Construction and Oxley Construction. Mr. Ching Chiat Kwong's wife, Mdm. Pang Siew Choo, owns 100% of the shares in Galaxy Builders. Galaxy Builders, Hume Construction and Oxley Construction are incorporated in Singapore, and their principal activities are set out as follows:-

(a) Galaxy Builders is principally engaged in, *inter alia,* general contracting, building construction, other business support services and the provision of mechanical, electrical and general contractors engineering services;

(b) Hume Construction is principally engaged in, *inter alia,* general contracting and building construction; and

(c) Oxley Construction is principally engaged in, *inter alia*, building construction, provision of interior design and interior consultancy services and interior decoration services.

Galaxy Builders, Hume Construction and Oxley Construction are not members of the Oxley Group.

Pursuant to Chapter 9 of the Catalist Rules, Galaxy Builders, Hume Construction and Oxley Construction are associates of Mr. Ching Chiat Kwong, and therefore are each an Interested Person.

3.2 Scope of the Shareholders' Mandate

The Shareholders' Mandate when renewed will apply to transactions falling within the categories described in paragraph 3.3 below, between any member of the Group and the Interested Persons.

The entity-at-risk group, that is, the entities with whom the Interested Persons may transact for the purposes of the Shareholders' Mandate, comprise:-

(a) the Company;

(b) subsidiaries of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange) from time to time; and

(c) associated companies of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) from time to time over which the Group, or the Group and its Interested Person(s) has or have control over.

The Shareholders' Mandate will not cover any Interested Person Transaction that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Catalist Rules would not apply to such transactions. In addition, the Shareholders' Mandate only covers recurrent transactions of a revenue or trading nature or those necessary for the day-to-day operations such as the purchase and sale of services, supplies and materials, but will not cover transactions relating to the purchase or sale of assets, undertakings or businesses.

Transactions with Interested Persons that do not fall within the ambit of the Shareholders' Mandate will be subject to the provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

3.3 Categories of Interested Person Transactions

The types of Interested Person Transactions that will be covered under the renewed Shareholders' Mandate are the sale of the Group's products (including but not limited to tiles, ceramics, stone and sanitary ware) to any of the Interested Persons. These transactions are recurrent and of a trading nature.

3.4 Rationale for the Renewal of the Shareholders' Mandate and Benefit of the Interested Person Transactions

(a) The Directors are of the view that it will be beneficial to the Group to transact or to continue to transact with the Interested Persons, as such transactions would provide a steady revenue stream to the Group and enhance its profitability.

(b) Prior to the date of this Appendix, the Group has from time to time supplied products to the Interested Persons for use in their respective development projects. While this has not crossed Threshold 2 (which would require Shareholders' approval to be obtained), the Directors anticipate that the volume of such supply may increase in the current financial year to exceed Threshold 2.

(c) The renewal of the Shareholders' Mandate will eliminate the need for the Group to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such Interested Person Transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channeled towards attaining other business objectives.

(d) The Shareholders' Mandate is intended to facilitate such transactions which are entered into in the ordinary course of business and which are transacted from time to time with the Interested Persons, provided such transactions are carried out at arms' length and on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders.

3.5 Review Procedures for Interested Person Transactions under the Renewed Shareholders' Mandate

To ensure that all Interested Person Transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the guiding principle is that all Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and policies. The following review procedures will be implemented by the Group:-

(a) in respect of the Group's sale of products to Interested Persons, the sale price shall be consistent with the usual margins or prices extended by the Group to non-Interested Persons for the same or substantially similar type of transactions, contemporaneously in time. In determining such margins or prices, all relevant factors such as but not limited to quantity, quality, requirements and specifications, credit terms, delivery time, preferential rates, discounts or rebates accorded for bulk sales and track record will be taken into consideration; and

(b) in the event that it is impractical or impossible to compare against the terms of other similar transactions with non-Interested Persons due to the nature of the products to be sold, such transaction shall be approved by the Financial Controller (or an officer of equivalent rank) who has no interest in the transaction, to ensure that the terms of the transaction are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. All relevant factors such as but not limited to quantity, quality, requirements and specifications, credit terms, delivery time, preferential rates, discounts or rebates accorded for bulk sales and track record will be taken into consideration.

3.6 Threshold Limits

In addition to the above review procedures, the following threshold limits will be applied by monitoring and categorising all Interested Person Transactions as follows:-

(a) where the value of any individual transaction entered into with the same Interested Person during the same financial year is lower than Threshold 1, such transaction will be subject to review and prior approval by the Financial Controller (or an officer of equivalent rank) who does not have an interest in the transaction and will be reviewed on a half-yearly basis by the Audit Committee; and

(b) where the value of any individual transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is equal to or exceeds Threshold 1, such transaction(s) will be approved by the Audit Committee prior to entry.

The above threshold limits are adopted by the Company after taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at with a view to striking a balance between (i) maximising the operational efficiency of the day-to-day operations of the Group, and (ii) maintaining adequate internal controls and governance in relation to the Interested Person Transactions. The threshold limits are intended to act as an additional safeguard to supplement the review procedures as set out in paragraph 3.5 of this Appendix which will be implemented by the Company for the Interested Person Transactions.

3.7 Additional Controls

The Group will also implement the following additional procedures:-

(a) the Company will maintain a master list of Interested Persons (which is to be updated immediately if there are any changes and will be reviewed on a half-yearly basis) and will disclose the list to the relevant staff of each relevant subsidiary to enable the identification of the Interested Persons;

(b) the Company will maintain a register to record all Interested Person Transactions (including the dates, terms and basis on which such transactions are entered into) which are entered into pursuant to the renewed Shareholders' Mandate and the review and/or approval by the Financial Controller (or an officer of equivalent rank) and/or the Audit Committee, as the case may be;

(c) the Company's internal auditors will review, on a half-yearly basis, all Interested Person Transactions entered into pursuant to the renewed Shareholders' Mandate to ensure that the relevant review procedures had been adhered to and the relevant approvals had been obtained. The internal auditors will report directly to the Audit Committee. The Company's annual internal audit plan will incorporate a review of such Interested Person Transactions entered into in the relevant financial year and the findings will be reported to the Audit Committee;

(d) except where any Interested Person Transaction is required to be reviewed and approved by the Audit Committee prior to the entry thereof, the Audit Committee will:-

    (i) review all Interested Person Transactions on a half-yearly basis to ensure that they are conducted in accordance with the review procedures set out in paragraph 3.5 of this Appendix (the "**IPT Guidelines**") and are not prejudicial to the interests of the Company and its minority Shareholders. All relevant non-quantitative factors will be taken into account by the Audit Committee in its review. The Audit Committee may also engage external parties to carry out such periodic reviews if deemed necessary or appropriate;

(ii) carry out regular reviews on a half-yearly basis to ascertain that the IPT Guidelines for the Interested Person Transactions under the renewed Shareholders' Mandate have been complied with;

(iii) request for additional information relating to any Interested Person Transaction under review from independent sources, advisers or valuers as it deems fit; and/or

(iv) where appropriate, approve and/or ratify the Interested Person Transactions to ensure that they comply with the IPT Guidelines.

The Audit Committee will review from time to time the IPT Guidelines to determine if they are adequate and/or commercially practicable in ensuring that all Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. If, during its periodic reviews, the Audit Committee is of the view that the IPT Guidelines are inappropriate or insufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a new mandate from Shareholders based on new guidelines and review procedures for the Interested Person Transactions;

(e) in the event that the Financial Controller (or an officer of equivalent rank) and/or any member of the Audit Committee and/or any Director has an interest in any Interested Person Transaction, he will abstain from participating in the review and/or approval process in relation to such transaction; and

(f) the Board will ensure that all disclosure requirements on the Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with.

4. EXPIRY AND RENEWAL OF THE SHAREHOLDERS' MANDATE

If approved by Shareholders at the AGM, the renewed Shareholders' Mandate will take effect from the passing of Ordinary Resolution 8, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next annual general meeting of the Company to be held in year 2013.

Approval from the Shareholders will be sought for the renewal of the Shareholders' Mandate at the next annual general meeting and at each subsequent annual general meeting of the Company, subject to review by the Audit Committee of its continued application to the Interested Person Transactions.

If the Audit Committee is of the view that the review procedures under the renewed Shareholders' Mandate are no longer adequate or appropriate to ensure that the Interested Person Transactions are transacted on normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh general mandate from the Shareholders based on new review procedures for Interested Person Transactions.

5. DISCLOSURE IN ANNUAL REPORT

Pursuant to Rule 920(1)(a) of the Catalist Rules, the Company will disclose the renewed Shareholders' Mandate and the aggregate value of the Interested Person Transactions conducted pursuant to the renewed Shareholders' Mandate in the annual report of the Company for the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Catalist Rules) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Catalist Rules.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders of the Company as at the Latest Practicable Date are set out below:-

Director	Direct Interest		Deemed Interest	
	No. of Shares ('000)	%	No. of Shares ('000)	%
Mr. Low Kok Ann [1]	37,700	19.38	-	-
Mr. Low See Ching [1]	21,900	11.26	46,250 [2]	23.77
Mr. Ong Beng Chye	-	-	-	-
Mr. Terrance Tan Kong Hwa	-	-	-	-
Mr. Chow Wen Kwan Marcus	-	-	-	-

Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares ('000)	%	No. of Shares ('000)	%
Mr. Low Kok Ann [1]	37,700	19.38	-	-
Mr. Low See Ching [1]	21,900	11.26	46,250 [2]	23.77
Dr. Low Bee Lan Audrey [1]	22,752	11.70	-	-
Mr. Ching Chiat Kwong	30,000	15.42	15,850 [3]	8.15

Notes:-

1 Mr. Low Kok Ann is the father of Mr. Low See Ching and Dr. Low Bee Lan Audrey.
2 30,000,000 shares are held in the name of Bank of Singapore Nominees Pte Ltd and 16,250,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd.
3 15,850,000 shares are held in the name of Bank of Singapore Nominees Pte Ltd.

7. ABSTENTIONS

Rule 919 of the Catalist Rules provides that interested persons and their associates must not vote on any shareholders' resolution approving any mandate or renewal thereof in respect of any interested person transactions.

Mr. Low See Ching, Mr. Low See Ching's associates (including Mr. Low Kok Ann and Dr. Low Bee Lan Audrey), Mr. Ching Chiat Kwong and Mr. Ching Chiat Kwong's associates will abstain from voting their respective shareholdings, and undertake to ensure that their associates will abstain from voting in respect of Ordinary Resolution 8 relating to the renewal of the Shareholders' Mandate at the AGM. Further, Mr. Low Kok Ann, Mr. Low See Ching, Dr. Low Bee Lan Audrey and Mr. Ching Chiat Kwong undertake to decline to accept any appointment as proxy to vote and attend at the AGM in respect of the said Ordinary Resolution 8 unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

8. STATEMENT OF THE AUDIT COMMITTEE

The audit committee of the Company currently comprising Mr. Ong Beng Chye, Mr. Terrance Tan Kong Hwa and Mr. Chow Wen Kwan Marcus, having considered, *inter alia*, the terms of the Shareholders' Mandate and the review methods and procedures for the Interested Person Transactions, confirms that:-

(a) the methods or procedures for determining the transaction prices of the Interested Person Transactions conducted under the Shareholders' Mandate have not changed since the last shareholders' approval at the EGM on 13 June 2012; and

(b) the methods or procedures referred to in paragraph 8(a) of this Appendix are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

9. DIRECTORS' RECOMMENDATION

The Directors who are deemed to be non-interested for the purposes of making a recommendation to the Shareholders in respect of the proposed renewal of the Shareholders' Mandate are Mr. Ong Beng Chye, Mr. Terrance Tan Kong Hwa and Mr. Chow Wen Kwan Marcus (collectively, the "**Recommending Directors**").

The Recommending Directors, having considered, *inter alia*, the rationale for the renewal of the Shareholders' Mandate, the review procedures of the Company for the Interested Person Transactions, the role of the Audit Committee in enforcing the Shareholders' Mandate and the statement of the Audit Committee in paragraph 8 of this Appendix, are of the view that the review procedures for determining transaction prices of the Interested Person Transactions as set out in paragraph 3.5 of this Appendix are, if adhered to, sufficient to ensure that the Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, the Recommending Directors recommend that Shareholders vote in favour of the Ordinary Resolution 8 relating to the renewal of the Shareholders' Mandate at the AGM.

10. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report, will be held at 8 Wilkie Road #03-08 Wilkie Edge Singapore 228095 on Friday, 12 October 2012 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution 8 relating to the renewal of the Shareholders' Mandate set out in the Notice of AGM.

LETTER TO SHAREHOLDERS

11. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form enclosed with the Notice of AGM in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 15 Defu Avenue 1 Singapore 539538, not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes. In such event, the relevant Proxy Form will be deemed to be revoked.

A depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 48 hours before the AGM.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the renewal of the Shareholders' Mandate, the Company, and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

13. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 15 Defu Avenue 1 Singapore 539538, during office hours from the date of this Appendix up to and including the date of the AGM:-

(a) the Memorandum and Articles of Association of the Company; and

(b) the Annual Report of the Company for the financial year ended 30 June 2012.

Yours faithfully
For and on behalf of the Board

Low See Ching
Executive Director and Chief Executive Officer
Hafary Holdings Limited
Singapore

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 Friday, 12 October 2012 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 30 June 2012		
2	Payment of proposed final dividend		
3	Re-election of Mr Low Kok Ann as a Director		
4	Re-election of Mr Terrance Tan Kong Hwa 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 shares		
8	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this ____________ day of ______________ 2012

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.

OUR SHOWROOMS

DEFU
showroom

15 Defu Avenue 1
Singapore 539538
Tel : 6250 1368 (6 Lines)
Fax: 6383 1536 (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