HAFARY
HOLDINGS LIMITED

Annual Report 2013

BRINGING DESIGN IDEAS TO LIFE

TILE . STONE . MOSAIC. SANITARY WARE & FITTINGS . WOOD FLOORING . QUARTZ TOP

The Leading Building Material Supplier Since 1980

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

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CORPORATE PROFILE

The Hafary Group comprises nine subsidiaries and has investments in associates and joint ventures.

Incorporated in May 1980 by Executive Chairman, Mr. Low Kok Ann, Hafary Pte Ltd is the largest sales generator of the Group that supplies ceramics and stone tiles, wood-flooring, sanitary ware and fittings and quartz tops.

Surface Project Pte. Ltd. has been in business since 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 set up in April 2009 and April 2010 respectively to complement the Group's businesses by offering stone tiles, marble and wood flooring.

Hafary Centre Pte. Ltd. is a property holding company which supports the Group's requirement for office and warehousing space. It holds two leasehold properties in Eunos and Changi which are being used as the Group's corporate headquarters and warehousing facility respectively.

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

General

Retail customers may purchase our products directly from our three showrooms located at 105 Eunos Avenue 3 Hafary Centre Singapore 409836, 560/560A Balestier Road Singapore 329876 and 18 Boon Lay Way #01-132 Tradehub 21 Singapore 609966, where we display a variety of tiles and mock-ups of kitchens and bathrooms using our tiles, marble, wood flooring and sanitary ware and fittings for the viewing. Other customers include architecture, interior design and renovation firms, who make ad-hoc purchases for small projects such as home renovation or small property development.

Project

We also supply our surfacing materials to customers who are involved in public and private property development projects in Singapore. These public sector projects include HDB upgrading, construction or upgrading of public buildings such as schools, hospitals, sport complexes, military camps and other government buildings. Property development projects in the private sector include residential, commercial and industrial projects such as condominiums, shopping centres and hotels. Our Project customers comprise architecture firms, property developers and construction companies.

OUR PRODUCTS

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

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

OUR PRODUCTS

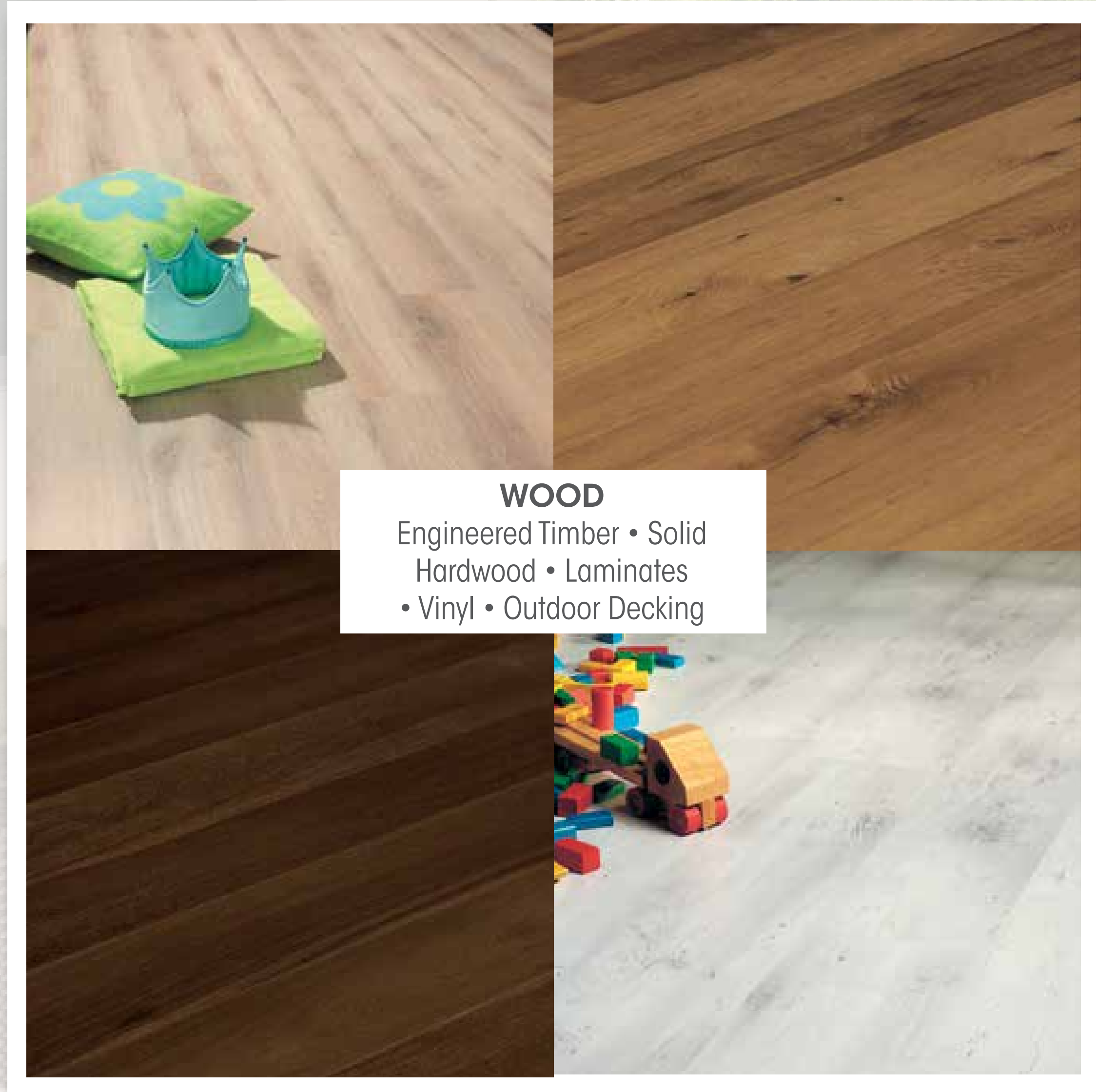
STONE
Granite • Limestone • Marble • Quartz • Composite Quartz & Marble

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

OUR PRODUCTS



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

- BerryAlloc
- Wood Culture
- Endurai

OUR PRODUCTS

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

• FIMA | Carlo Frattini • ilife
• Hansgrohe • Innoci • Bravat
• Caroma • Geberit • OXO
• Pablo • Justime

CHAIRMAN'S STATEMENT

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 2013 ("FY2013").

Improved Financial Performance

I am delighted to report that the Group had a bumper year in FY2013. Our stellar performance was reflected in both the Group's top and bottom lines. The Group's revenue increased by S$20.2 million or 32.1% from S$63.1 million in FY2012 to S$83.3 million in FY2013. The revenue improvement was driven by an across-the-board increase in sales contributed by its two business segments – General (comprising retail "walk-in" customers who visit the showrooms) and Project (comprising customers who are usually involved in major property development projects, whether residential, commercial, public or industrial).

Segmental Performance

Revenue from the General segment increased by S$7.0 million or 16.9% from S$40.7 million in FY2012 to S$47.7 million in FY2013. The Group's strategy to strengthen its sales and marketing efforts and widen its customer base, coupled with increased customer loyalty, have contributed to the increased revenue for this segment. Accounting for 57.2% of Group revenue, this segment continued to be the leading revenue generator.

The Project segment chalked up revenue of S$35.4 million in FY2013, representing an increase of S$13.2 million or 59.4% from S$22.2 million achieved in FY2012. In FY2013, the Group supplied tiles and building materials for several notable development projects, including The Westin Singapore, Carlton City Hotel and Westgate. During the year, the Group also commenced delivery of surfacing materials for use in a number of Housing Development Board ("HDB") residential estate developments under the Build-To-Order Scheme and Home Improvement Programme.

Surge in Net Profit due to One-off Gain

Profit before income tax soared by S$22.0 million or 363.9% from S$6.0 million in FY2012 to S$28.0 million in FY2013. Profit before income tax generated from recurring activities increased by S$4.8 million from S$6.2 million in FY2012 to S$11.0 million in FY2013. Net profit attributable to owners of the parent increased by approximately five-fold from S$4.5 million in FY2012 to S$22.3 million in FY2013. The dramatic increase was attributable to recognition of a one-time gain on disposal of the development property at 82 Lorong 23 Geylang amounting to S$22.7 million (net of impact on Directors' performance bonus).

Special Dividend

The Board of Directors is proposing a final dividend of 2.5 cents per ordinary share on the back of 429,000,000 issued ordinary shares to be paid to shareholders subject to approval at the upcoming Annual General Meeting. In comparison, the Group declared a final dividend of 1.5 cent per ordinary share on the back of 194,500,000 issued ordinary shares for FY2012. The higher dividend proposed for FY2013 is largely attributable to the Group's one-time gain on disposal of property.

Corporate and Business Developments

During the year under review, the Company undertook a placement of 20 million new ordinary shares at a placement price of S$0.294 per ordinary share. Net proceeds from the share placement of S$5.8 million are being used to fund the redevelopment of leasehold property at 18C Sungei Kadut Street 4 and for working capital purpose.

In May 2013, Hafary completed a share split of every one ordinary share in the capital of the Company into two ordinary shares. Since then, market liquidity of our shares has increased and shareholder base is broadened. In June 2013, Hafary's listing was successfully transferred to SGX Mainboard.

Singapore Business

The development of our leasehold property at 105 Eunos Avenue 3 was completed in May 2013. In September 2013, the Group's corporate headquarters and main showroom was relocated to 105 Eunos Avenue 3. Unutilised floor space in the leasehold property will be leased to generate rental income, thereby strengthening cash flow of the Group.

With the completion and operation of the new warehouse facility at 3 Changi North Street 1, the Group can look forward to streamlining its logistical functions. The Group is in the process of consolidating certain categories of inventories in the new warehouse, and has ceased rental of other support warehouses, thereby reducing rental costs. With the operations streamlined, manpower and transport costs would be decreased, thus increasing the Group's cost efficiency.

Efforts to expand the Group's local market presence continued apace. During the year, its showrooms were enhanced to meet the increasing needs of its large number of visitors. In July 2013, the Balestier showroom was refurbished and its retail floor space doubled to approximately 4,000 square feet to better serve its customers. The Group's main showroom commenced business in its new location at 105 Eunos Avenue 3 in September 2013. This full-featured gallery, boasting a floor space of approximately 20,000 square feet, showcases the Group's expanding range of surfacing and building materials, and accommodate more mock-ups of the different living spaces built using its products. The Tradehub 21 showroom also saw an increase in customer traffic during FY2013.

Hafary's investment in a joint venture company, Melmer Stoneworks Pte. Ltd. ("MSPL"), which focuses on the granite and marble slab business, has started to yield fruits. Only in its first year of operations, MSPL's profit contribution to the Group amounted to S$0.1 million.

Earlier in July 2013, the Company's wholly-owned subsidiary, Hafary Pte Ltd, together with two controlling shareholders and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Sitra Holdings (International) Limited ("Sitra"), incorporated World Furnishing Hub Pte. Ltd. to acquire a leasehold land at 18 Sungei Kadut Street 2, in Sungei Kadut Industrial Estate, from Sitra. JTC intends to redevelop part of the Sungei Kadut Industrial Estate into an International Furniture Park ("IFP"), to be positioned as Southeast Asia's international furniture hub, a global marketplace for furniture and furniture-related industries. As the IFP is targeting global players, Hafary believes that its intended presence in the IFP would attract overseas customers.

Investments in China

The Group's first move for geographical expansion was made through its investment in an associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), a tile manufacturing facility in China. The associate commence operations in November 2012 and produces its house brand of tiles, Cappuccino Ceramics. Due to the challenging conditions under which it operates in, HCCM has been reporting losses and impairment was made to this investment in associate. Nevertheless, HCCM will continue to build market recognition of its 'Cappuccino Ceramics' brand and strive to optimize its production level by fulfilling original equipment manufacturing orders from more established tile manufacturers.

In July 2013, a wholly-owned subsidiary of the Company, Hafary International Pte. Ltd. incorporated a wholly-owned export agency in China, Foshan Hafary Trading Co, Limited ("FHT"). FHT will principally be engaged in the importing, exporting and distribution of ceramic tiles, building materials and sanitary ware. FHT is expected to provide opportunities to widen the Group's procurement and business networks, develop the Hafary brand overseas and provide a new source of revenue (export agency services).

Investment in Vietnam

The Group has also targeted expansion into the Vietnam market. In September 2012, the Group acquired a 49% shareholding in an associate, Viet Ceramics International Joint Stock Company ("VCI"), a reputable tile retailing company in Vietnam. Share of profits from this associate for FY2013 was not high due to Vietnam's lacklustre economic conditions in 2012. However, Vietnam's economy has picked up in 2013 and a sustained economic recovery would augur well for VCI's business performance. Bearing in mind Vietnam's large and growing population of more than 88 million, and as more businesses look to expand into the Southeast Asian markets, VCI is well positioned to support the building materials needs of property developers with projects in this region.

Economic and Industrial Trends

In January 2013, the Singapore Government announced its seventh package of property cooling measures in over three years. As a result, the first two quarters of 2013 saw a discernible decrease in the number of public and private residential unit resale transactions. The Total Debt Servicing Ratio introduced by the Monetary Authority of Singapore in June 2013 also dampened the buying sentiment and sales of new private homes.

Despite these property cooling measures, the Group will continue to reinforce its market position as a reliable supplier of building materials for its public project customers. The HDB is on track to launch 25,000 BTO flats during 2013. Demand for tiles looks set to increase in the next three years as the government is expected to build more than 100,000 HDB flats by the year 2016. The massive rollout of new flats over the next few years is expected to generate more business opportunities for the Group.

The Building and Construction Authority has projected construction demand of between S$26 billion and S$32 billion for the year 2013. According to Asia Construction Outlook 2013 released in August 2013 by AECOM, a reputable design and engineering consultancy, Singapore's construction sector is expected to grow by 3.5% annually over the next five years, albeit at a gradually slower pace.

Positioning for Future Growth

Since 2011, the Group has been offering complementary products such as sanitary ware and fittings. Besides being the authorised retailer for several premium brands, such as Hansgrohe, Geberit, Caroma, Bravat, Fima, Pablo and OXO, Hafary also retails sanitary fittings under its house brand, iLife. The Group intends to continue to grow this segment by carrying more popular brands of sanitary ware and fittings from Europe and Australia.

Since FY2012, the Group has also started marketing two other products, namely, composite quartz materials for installation in kitchens and bathrooms, and engineered wood flooring. Composite quartz is increasingly being used to produce kitchen counter tops due to its non-porous nature as well as its scratch and stain resistance. Engineered wood flooring has its market potential as it is eco-friendly, warp-resistant, easy to install and feels like real wood.

Through its investment in MSPL, the Group is also well positioned to tap the market potential of the local stone and marble segment. There is growing demand for granite and marble slabs, which need to be processed before being installed at premises of residential and commercial buildings in Singapore.

Apart from the abovementioned initiatives to expand its business, the Group will continue to improve its financial performance by exercising vigilance over its cost structure and maximizing operating efficiency.

Appreciation

I wish to record my gratitude and appreciation to all the stakeholders for their contribution towards Hafary's success so far -- to my fellow Directors for their precious advice and guidance; to all our customers, associates and shareholders for their loyal support; and to the management and employees for their hard work and dedication. In FY2014, we aim to further increase shareholders' value by delivering respectable financial performance, achieved through the dual-pronged strategy of increased domestic market penetration and successful overseas market expansion.

Low Kok Ann
Executive Chairman

BOARD OF DIRECTORS

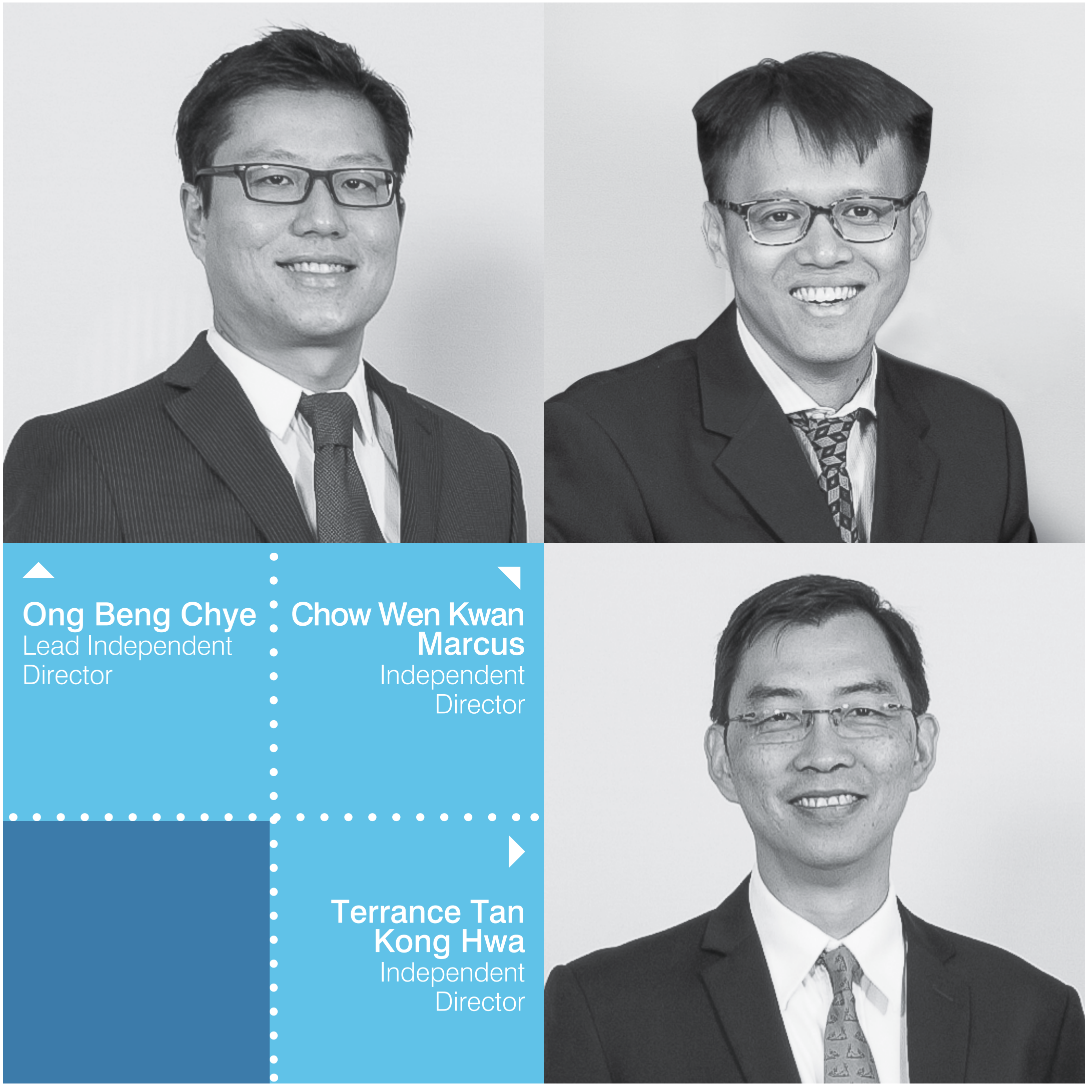
Low Kok Ann
Executive Chairman

Low See Ching
Executive Director and
Chief Executive Officer

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 12 October 2012.

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. He is also a Non-Executive Director of Oxley Holdings Limited, listed on SGX Mainboard. 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 12 October 2012.

BOARD OF DIRECTORS



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 Chairman of the Audit Committee of Kitchen Culture Holdings Ltd and Geo Energy Resources Ltd., and a Non-Executive Director of Heatec Jietong Holdings Ltd. 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 Chartered Accountant of Singapore.

Mr. Terrance Tan Kong Hwa was appointed as an Independent Director of our Company on 10 November 2009 and was re-elected on 12 October 2012. He has more than 20 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 and Zhongxin Fruit and Juice Limited, listed on Catalist. He is a member of the Law Society of Singapore and Singapore Academy of Law and is an Attorney at Law, New York, USA.

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 Chartered Accountant of Singapore.

Goh Keng Boon joined our Group in 2004 and is currently the Director of one of the Group's subsidiaries, 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 SECRETARY

Tay Eng Kiat Jackson

REGISTERED OFFICE

105 Eunos Avenue 3
Singapore 409836
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

SHARE LISTING

Hafary Holdings Limited, incorporated on 6 October 2009 and listed in Catalist on 7 December 2009. The Company's listing was upgraded to the SGX Mainboard with effect from 18 June 2013.
Stock code:
5VS (SGX)
HAFA.SP (Bloomberg)
HFRY.SI (Reuters)

INDEPENDENT AUDITORS

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

Partner-in-charge: Woo E-Sah
Effective from the reporting year ended 30 June 2013

INTERNAL AUDITORS

BDO LLP
21 Merchant Road
#05-01
Singapore 058267

LEGAL ADVISORS

TSMP Law Corporation
6 Battery Road, Level 41
Singapore 049909

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	FY2013 $'000	FY2012 $'000	FY2011 $'000	FY2010 $'000
Revenue - General	**47,664**	40,757	37,732	27,219
Revenue - Project	**35,446**	22,241	22,590	11,078
Revenue - Others	**227**	75	32	57
Total Revenue	**83,337**	63,073	60,354	38,354
Revenue - General (% of total revenue)	**57.2%**	64.6%	62.5%	71.0%
Revenue - Project (% of total revenue)	**42.5%**	35.3%	37.4%	28.9%
Earnings before interest, income taxes and depreciation (EBITDA)	**30,642**	8,068	10,478	5,230
EBITDA margin (%)	**36.8%**	12.8%	17.4%	13.6%
Finance cost (i.e. Interest expense)	**1,207**	1,079	653	445
Profit before income tax	**28,012**	6,038	9,081	4,248
Profit before income tax margin (%)	**33.6%**	9.6%	15.0%	11.1%
Net Profit	**22,882**	5,070	7,501	3,258
Net Profit margin (%)	**27.5%**	8.0%	12.4%	8.5%
Profit after income taxes and non-controlling interest (PATNCI)	**22,328**	4,547	6,873	3,061
PATNCI margin (%)	**26.8%**	7.2%	11.4%	8.0%

At Year End	FY2013 $'000	FY2012 $'000	FY2011 $'000	FY2010 $'000
Non-current assets	**55,145**	37,465	29,965	4,193
Current assets	**80,842**	86,367	43,080	33,881
Total assets	**135,987**	123,832	73,045	38,074
Non-current liabilities	**17,619**	19,315	20,346	1,559
Current liabilities	**71,617**	71,512	27,513	18,080
Total liabilities	**89,236**	90,827	47,859	19,639
Total debt	**64,566**	56,532	38,735	12,933
Cash and cash equivalents	**9,583**	4,984	3,273	5,473
Net debt	**54,983**	51,548	35,462	7,460
Shareholders' equity	**44,676**	31,304	23,798	17,569
Total equity	**46,751**	33,005	25,186	18,435
Number of ordinary shares ('000)	**429,000**	194,500	162,500	162,500
Weighted average number of ordinary shares ('000) (Basic and fully diluted)	**402,479**	363,295	162,500	148,958
Share price at year end (cents)	**19.1**	23.5	19.5	17.5
Market capitalisation as at 30 June	**81,939**	45,708	31,688	28,438

FINANCIAL HIGHLIGHTS

Financial Ratios	FY2013	FY2012	FY2011	FY2010
Profitability				
Revenue growth (%)	**32.1%**	4.5%	57.4%	24.6%
PATNCI growth (%)	**391.0%**	(33.8%)	124.5%	0.7%
Return on assets (%) (PATNCI/Total assets)	**16.4%**	3.7%	9.4%	8.0%
Return on equity (%) (PATNCI/Average shareholders' equity)	**58.8%**	16.5%	33.2%	23.7%
Liquidity				
Current ratio (times)	**1.1**	1.2	1.6	1.9
Cash as per share (cents)	**2.2**	2.6	2.0	3.4
Net assets per share (cents)	**10.4**	16.1	14.6	10.8
Leverage				
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	**1.2**	1.6	1.5	0.4
Interest cover (times) (EBITDA/ Finance cost)	**25.4**	7.5	16.0	11.8
Investors' Ratio				
Earnings per share (cents) (Basic and fully diluted)	**5.6**	1.3	4.2	2.1
Gross dividend per share (cents) - Interim	**4.0**	1.0	-	-
Gross dividend per share (cents) - Final	**2.5**	1.5	0.9	0.4
Total gross dividend per share (cents) (DPS)	**6.5**	2.5	0.9	0.4
Gross dividend yield (%) based on year end share price	**34.0%**	10.6%	4.6%	2.3%
Gross dividend payout (%) (Gross dividend/ Profit after tax attributable to shareholders)	**100.9%**	106.9%	21.3%	21.2%

FINANCIAL REVIEW

Statement of Comprehensive Income	FY2013 S$'000	FY2012 S$'000	Change S$'000	Change %
Revenue	**83,337**	63,073	20,264	32.1
Other Items of Income:				
Other Credits	**24,092**	174	23,918	N.M
Other Items of Expense:				
Changes in Inventories of Finished Goods	**5,184**	6,444	(1,260)	(19.6)
Purchases and Related Expenses	**(54,757)**	(43,639)	(11,118)	25.5
Employee Benefits Expenses	**(13,093)**	(10,376)	(2,717)	26.2
Depreciation Expense	**(1,423)**	(951)	(472)	49.6
Impairment Losses	**(4,728)**	(164)	(4,564)	N.M
Other Charges	**(335)**	(1)	(334)	N.M
Finance Costs	**(1,207)**	(1,079)	(128)	11.9
Other Expenses	**(7,315)**	(7,290)	(25)	0.3
Share of Loss from Equity-Accounted Associates	**(1,833)**	(153)	(1,680)	N.M
Share of Profit from an Equity-Accounted Joint Venture	**90**	-	90	N.M
Profit Before Income Tax	**28,012**	**6,038**	**21,974**	**363.9**
Income Tax Expense	**(5,130)**	(968)	(4,162)	430.0
Profit, Net of Tax and Total Comprehensive Income for the Year	**22,882**	**5,070**	**17,812**	**351.30**
Profit, Net of Tax and Total Comprehensive Income Attributable to:				
- Owners of the Parent	**22,328**	4,547	17,781	391.0
- Non-Controlling Interests	**554**	523	31	5.9
	22,882	5,070	17,812	396.9

Revenue

The Group reported revenue of S$83.3 million in FY2013 compared to S$63.1 million reported in FY2012.

Revenue from the general segment increased by S$7.0 million or 16.9% from S$40.7 million during FY2012 to S$47.7 million during FY2013. The Group geared up its sales and marketing initiatives to widen its customer base and increase customers' loyalty resulting in more sales to general customers.

Revenue from the project segment increased by S$13.2 million or 59.4% from S$22.2 million during FY2012 to S$35.4 million during FY2013. The Group supplied tiles and building materials for several notable development projects during FY2013, for example The Westin Singapore, Carlton City Hotel and Westgate. During FY2013, the Group also commenced deliveries of surfacing materials for use in a number of Housing Development Board ("HDB") residential estate development under the Build-To-Order Scheme and Home Improvement Programme.

Cost of Sales

The increase in cost of sales was in tandem with the increase in revenue. The gross profit margin of 40.5% for FY2013 was comparable to 41.0% for FY2012.

Other credits

The increase in other credits by S$23.9 million from S$0.2 million during FY2012 to S$24.1 million during FY2013 was mainly due to recognition of a one-time gain on disposal of development property at 82 Lorong 23 Geylang Singapore 388409 (Former address: 79 Aljunied Road Singapore 389822), after the temporary occupancy permit was issued in December 2012 and risks and rewards of ownership of the property was transferred to the purchasers.

Employee Benefits Expense

The increase in employee benefits expenses by S$2.7 million or 26.2% from S$10.4 million during FY2012 to S$13.1 million during FY2013 was due to the annual salary increment with effect from July 2012, increase in directors' performance bonus, increase in headcount and higher overtime expenses incurred to cope with the increased business of the Group. As at 30 June 2013, the Group had 240 employees (including directors) (30 June 2012: 212).

Depreciation Expense

The increase in depreciation expense by S$0.5 million or 49.6% from S$0.9 million during FY2012 to S$1.4 million during FY2013 was mainly arising from major additions of property, plant and equipment during FY2013. These additions include refurbishment of marble processing facility at 18C Sungei Kadut Street 4 Singapore 729066 and acquisition of motor vehicles, furniture and fittings and machinery to cope with the increased business of the Group. Also, depreciation of warehouse premise at 3 Changi North Street 1 Singapore 498824 commenced with effect from 1 March 2013 after the warehouse was fully constructed and put in use.

Impairment Losses

The increase in impairment losses by S$4.5 million from S$0.2 million during FY2012 to S$4.7 million during FY2013 was mainly attributable to an impairment allowance on investment in an associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), amounting to S$4.0 million. Investment in HCCM was fully impaired as there are indications that cast significant doubt on its ability to continue as a going concern. The increase was also due to higher allowance for impairment made for inventories and trade receivables during FY2013.

Other Charges

Other charges incurred in FY2013 was in relation to net foreign exchange adjustment losses.

Finance Costs

The increase in finance costs by S$0.1 million or 11.9% from S$1.1 million in FY2012 to S$1.2 million in FY2013 was mainly attributable to interest expense on bank loans relating to acquisition and development of 105 Eunos Avenue 3 Singapore 409836 (Corporate headquarters) and 3 Changi North Street 1 Singapore 498824 (Main warehouse) recognised in profit or loss after temporary occupancy permits ("TOPs") were issued for these premises. Before the issuance of the TOPs, interest expense incurred for these bank loans were treated as cost of qualifying assets and capitalised in property, plant and equipment.

Other Expenses

Other expenses for FY2013 and FY2012 amounted to approximately S$7.3 million for each financial year. The major movements within other expenses relate to increase in rental expenses of premises and land rental on leasehold properties, increase in upkeep and hire of motor vehicles and other repair and maintenance, increase in utilities and increase in entertainment and refreshment, decrease in legal and professional fees and decrease in transport expense.

Share of Results from Equity-Accounted Associates and Joint Venture Company

Amount of S$1.7 million is made up of share of loss from associate, HCCM, amounting to S$1.8 million, share of profit from associate, Viet Ceramics International Joint Stock Company, amounting to S$42,000 and share of profit from joint venture company, Melmer Stoneworks Pte. Ltd., amounting to S$0.1 million.

Profit Before Income Tax

Profit before income tax increased by S$22.0 million or 363.9% from S$6.0 million during FY2012 to S$28.0 million during FY2013. The increase in profit before income tax was contributed largely by recognition of a one-time gain on disposal of development property (net of impact on directors' performance bonus) amounting to S$22.7 million. The Group also recognised net share of losses from associates and joint venture amounting to S$1.7 million (FY2012: S$0.2 million) and impairment allowance on investment in HCCM amounting to S$4.0 million. Excluding the effects of the above items, profit before income tax generated from recurring activities increased by S$4.8 million or 77.4% from S$6.2 million during FY2012 to S$11.0 million during FY2013.

Income Tax Expense

The effective tax rate (excluding share of profit or loss from equity-accounted associates and joint venture company) for FY2013 was 17.2% (FY2012: 15.6%) and comparable to the Singapore corporate tax rate of 17%.

FINANCIAL REVIEW

Statement of Financial Position	FY2013 S$'000	FY2012 S$'000	Change S$'000	Change %
Non-Current Assets:				
Property, Plant and Equipment	**52,124**	31,570	20,554	65.1
Investments in Associates	**2,861**	5,895	(3,034)	(51.5)
Investments in Joint Ventures	**160**	-	160	-
Current Assets:				
Development Property	**-**	32,265	(32,265)	(100.0)
Inventories	**35,054**	30,241	4,813	15.9
Trade and Other Receivables	**29,969**	17,164	12,805	74.6
Others	**15,819**	6,697	9,122	136.2
Total Assets	**135,987**	123,832	12,155	9.8
Equity:				
Equity, Attributable to Owners of the Parent	**44,676**	31,304	13,372	42.7
Non-Controlling Interests	**2,075**	1,701	374	22.0
Total Equity	**46,751**	33,005	13,746	41.6
Non-Current Liabilities:				
Other Financial Liabilities	**17,380**	19,091	(1,711)	(9.0)
Others	**239**	224	15	6.7
Current Liabilities:				
Other Financial Liabilities	**47,186**	37,441	9,745	26.0
Other Liabilities	**592**	24,251	(23,659)	(97.6)
Trade and Other Payables	**18,183**	8,929	9,254	103.6%
Others	**5,656**	891	4,765	534.8
Total Liabilities	**89,236**	90,827	(1,591)	(1.8)
Total Equity and Liabilities	**135,987**	123,832	15,368	21.0

Non-Current Assets

Non-current assets increased by S$17.6 million or 47.2% from S$37.5 million as at 30 June 2012 to S$55.1 million as at 30 June 2013.

Property, plant and equipment increased by S$20.5 million or 65.1% from S$31.6 million as at 30 June 2012 to S$52.1 million as at 30 June 2013. The increase was mainly due to construction of corporate headquarters at 105 Eunos Avenue 3 and main warehouse at 3 Changi North Street 1 amounting to S$20.5 million accumulatively, refurbishment of warehouse at 18C Sungei Kadut Street 4 amounting to S$0.2 million, motor vehicles and forklifts amounting to S$0.5 million and plant and equipment amounting to S$0.8 million. The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S$1.4 million and disposal of motor vehicle by S$0.1 million.

In September 2012, the Group acquired a 49% shareholding in an associate, Viet Ceramics International Joint Stock Company ("VCI") at a consideration of S$2.8 million. Share of associates' profit (VCI) amounting to S$42,000 and loss (Hunan Cappuccino Construction Materials Co., Limited ("HCCM")) amounting to S$1.8 million was recognised during FY2013. In addition, an impairment allowance of S$4.0 million was made on investment in HCCM. The above resulted in a net decrease in investment in associates amounting to S$3.0 million.

In July 2012, the Group incorporated and took a 50% equity interest in a joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"). During FY2013, the Group increased its investment in MSPL to S$0.1 million, while retaining 50% equity interest. Share of MSPL's profit (excluding the group's portion of interim dividend declared by MSPL amounting to $30,000) amounting to S$60,000 was recognised during FY2013.

FINANCIAL REVIEW

Current Assets

Current assets decreased by S$5.6 million or 6.4% from S$86.4 million as at 30 June 2012 to S$80.8 million as at 30 June 2013.

Decrease in current assets was mainly attributable to derecognition of development property at 82 Lorong 23 Geylang (FY2012: S$32.3 million). The decrease was partially offset by the increase in inventories by S$4.8 million, trade and other receivables by S$12.8 million, cash and cash equivalents by S$4.6 million, other assets by S$4.3 million and derivative financial instruments by S$0.2 million.

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 2013, the Group also stocked tiles which will be delivered for use in HDB construction projects during the first half of FY2014. Inventory turnover days decreased to 248 as at 30 June 2013 compared to 273 as at 30 June 2012.

The increase in trade and other receivables was due to S$6.5 million increase in receivables from purchasers of development property (30 June 2012: NIL balance), S$5.9 million increase in trade receivables and S$0.4 million increase in other receivables. The increase in trade receivables was in line with the revenue growth in FY2013. Trade receivables turnover of 90 days as at 30 June 2013 was comparable to 92 days as at 30 June 2012.

Shareholders' Equity

Shareholders' equity, comprising share capital and retained earnings, increased by S$13.4 million or 42.7% from S$31.3 million as at 30 June 2012 to S$44.7 million as at 30 June 2013.

The increase was largely attributable to net profit attributable to shareholders amounting to S$22.3 million and net proceeds amounting to S$5.8 million arising from placement of 20,000,000 new ordinary shares in February 2013, which were partially offset by dividend payments to shareholders amounting to S$14.7 million in FY2013.

Non-Current Liabilities

Non-current liabilities decreased by S$1.7 million or 8.8% from S$19.3 million as at 30 June 2012 to S$17.6 million as at 30 June 2013 due to repayments and drawdowns of bank loans during FY2013.

Current Liabilities

Current liabilities increased by S$0.1 million or 0.1% from S$71.5 million as at 30 June 2012 to S$71.6 million as at 30 June 2013.

The increase was mainly attributable to increase in trade and other payables by S$9.3 million, other financial liabilities by S$9.7 million and income tax payable by S$4.8 million. The above increase was partially offset by decrease in other liabilities by S$23.7 million.

Included in trade and other payables are trade payables and accrued liabilities amounting to S$10.5 million (FY2012: S$7.7 million), interim dividend payable to shareholders of the Company amounting to S$6.5 million (FY2012: NIL) and payables (including retentions) to vendors relating to construction of premises at 105 Eunos Avenue 3 and 3 Changi North Street 1 amounting to S$1.2 million (FY2012: S$1.2 million). The interim dividend to shareholders was paid on 10 July 2013.

Total amount of trade payables and trust receipts and bills payable to banks was S$36.0 million (FY2012: S$25.6 million). The turnover days of the aforesaid items based on cost of sales of 227 as at 30 June 2013 has decreased from 241 as at 30 June 2012.

Other financial liabilities increased by S$9.7 million due to repayments and drawdowns of bank loans during FY2013.

BUSINESS REVIEW

Leasehold properties held by the Group	105 Eunos Avenue 3 Singapore 409836	3 Changi North Street1 Singapore 498824	54/56 Sungei Loop Singapore 729477	18C Sungei Kadut Street 4 Singapore 498824
Description	6-storey light industrial building	2-storey purpose built detached warehouse	1-storey warehousing premise	1-storey sheltered warehousing premise- A 2-storey auxiliary building is being constructed behind sheltered premise
Purpose	Portion of space used as corporate headquarters and main showroom	Main warehouse (Tiles)	Warehouse (Tiles and Stone)	Marble processing facility
Tenure of land	Expiring 14 September 2039	Expiring 29 February 2029 with an option for a further term of 30 years subject to conditions	Expiring 16 January 2023	Expiring 15 September 2025
Area ('000 square feet) - Land - Gross floor or net lettable area	54 132	113 151	105 62	56 27
Land purchase price ($'000)	9,800	10,000	2,502	1,430
Development and directly attributable costs ($'000)	11,698	14,129	-	312
Net book value as at 30 June 2013 ($'000)	21,498	23,954	1,822	1,542
Indicative open market valuation ($'000)	50,000	29,000	6,500	3,300

Company Overview

With its business origin dating back to 1980, Mainboard-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 Europe (mainly Spain and Italy) and Asia and supply to our customers high quality products of latest designs at competitive prices.

Our corporate headquarters and main showroom are located at 105 Eunos Avenue 3. We have two other showrooms located at 560/560A Balestier Road and 18 Boon Lay Way (Tradehub 21). Supporting our business are three warehousing facilities located at 3 Changi North Street 1, 5A Defu Lane 8 and 54/56 Sungei Kadut Loop. Our showrooms and warehousing facilities have an aggregate built-in area of approximately 30,000 square feet and 344,000 square feet respectively.

With more than 30 years of presence in the Singapore market, Hafary has established an unrivalled reputation and track record with its 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. The vast procurement network built up over the years also enable us to meet building materials needs of our wide categories of customers.

Operating Review

Business in Singapore

The Group's General segment reported a 16.9% increase in revenue from S$40.7 million for FY2012 to S$47.7 million in FY2013. The increase reflects the weaker consumers' sentiments due to slower economic growth in Singapore. Nevertheless, this segment continued to be the leading sales generator for the Group, accounting for 57.2% of the Group's revenue.

Revenue for the Project segment increased 59.4% from S$22.2 million in FY2012 to S$35.4 million in FY2013. During the year under review, the Group supplied tiles and building materials for several notable development projects, including The Westin Singapore, Carlton City Hotel and Westgate. In FY2013, the Group also commenced delivery of surfacing materials for use in a number of Housing Development Board ("HDB") residential estate developments under the Build-To-Order Scheme and Home Improvement Programme.

The Group has completed the development of 105 Eunos Avenue 3 as the Group's corporate headquarters ("HQ") and relocated its HQ from 15 Defu Avenue 1 to 105 Eunos Avenue 3 in September 2013. Any unutilised floor space in the new corporate HQ will be leased to generate rental income.

The Group's new warehouse facility at 3 Changi North Street 1 has started operations. The Group is in the process of consolidating certain categories of inventories in the new warehouse, and has ceased rental of other support warehouses, thereby reducing rental costs. The streamlining of operations is expected to reduce manpower and transport costs, thus improving the Group's cost efficiency.

BUSINESS REVIEW

The Group continued to pursue initiatives to deepen its domestic market stronghold. During the year, its showrooms were enhanced to cater to the increasing needs of its visitors. In July 2013, the Balestier showroom was refurbished and its retail floor space doubled to approximately 4,000 square feet to better serve its customers. The Group's main showroom at 105 Eunos Avenue 3, a 20,000-square feet full-featured gallery, commenced business in September 2013. The Tradehub 21 showroom also enjoyed higher customer traffic during the year.

Hafary has been working to develop the granite and marble slab business through its joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"). Only in its first year of operations, MSPL's profit contribution to the Group amounted to S$0.1 million.

During the year, the Company's wholly-owned subsidiary, Hafary Pte Ltd, together with two controlling shareholders and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Sitra Holdings (International) Limited ("Sitra"), had set up a special-purpose vehicle to acquire a leasehold land at 18 Sungei Kadut Street 2, in Sungei Kadut Industrial Estate from ("SKIE") Sitra. As part of the future development of this leasehold property, the Group will set up a showroom and use part of the property as a warehousing facility for the Group's surfacing and furnishing products. JTC intends to redevelop part of the SKIE into an International Furniture Park ("IFP"), and position it as Southeast Asia's international furniture hub, a global marketplace for furniture and furniture-related industries. As the IFP targets global players, a prominent presence in the IFP is expected to open doors to overseas customers and overseas expansion opportunities.

On the corporate front, the Group has transferred its listing to the SGX Mainboard in June 2013.

Overseas Expansion

China

The Group's first move for geographical expansion was made through its investment in an associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), a tile manufacturing facility in China. The associate commence operations in November 2012 and produces its house brand of tiles, Cappuccino Ceramics. Due to the challenging conditions under which it operates in, HCCM has been reporting losses and impairment was made to this investment in associate. Nevertheless, HCCM will continue to build market recognition of its 'Cappuccino Ceramics' brand and strive to optimize its production level by fulfilling original equipment manufacturing orders from more established tile manufacturers.

In July 2013, a wholly-owned subsidiary of the Company, Hafary International Pte. Ltd. incorporated a wholly-owned export agency in China, Foshan Hafary Trading Co, Limited ("FHT"). FHT will principally be engaged in the importing, exporting and distribution of ceramic tiles, building materials and sanitary ware. FHT is expected to provide opportunities to widen the Group's procurement and business networks, develop the Hafary brand overseas and provide a new source of revenue (export agency services).

Vietnam

In September 2012, the Group acquired a 49% shareholding in an associate, Viet Ceramics International Joint Stock Company ("VCI"), a reputable tile retailing company in Vietnam. Share of profits from this associate for FY2013 was not high due to Vietnam's lacklustre economic conditions in 2012. However, Vietnam's economic recovery if sustained in 2013 would augur well for VCI's business performance. In the light of Vietnam's large and growing population, and as more businesses expand into the Southeast Asian markets, VCI is well positioned to support the building material needs of property developers with projects in this region.

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 22 August 2013, which would materially affect the group's and the company's operating and financial performance for the reporting year ended 30 June 2013 as of the date of this report except for an additional impairment loss for the carrying value of an associate of $3,213,000 and reduction in director's bonus of $137,000 as announced on 27 September 2013.

GROUP STRUCTURE

Hafary Holdings Limited
UEN: 200918637C

100%
Hafary Pte Ltd
UEN: 198001531R

Singapore

70%
Surface Project Pte. Ltd.
UEN: 200500263N

90%
Surface Stone Pte. Ltd.
UEN: 200906485D

80%
Wood Culture Pte. Ltd.
UEN: 201007442H

100%
Hafary Centre Pte. Ltd.
UEN: 201026113W

40%
World Furnishing Hub Pte. Ltd.
UEN: 201317854K

50%
Mediterranean Trends Pte. Ltd.
UEN: 201309646E

50%
Melmer Stoneworks Pte. Ltd.
UEN: 201216143E

100%
Hafary China Pte. Ltd.
UEN: 201120830W

100%
Hafary Vietnam Pte. Ltd.
UEN: 201120831H

100%
Hafary International Pte. Ltd.
UEN: 201305688M

Overseas

45%
(Associate - People's Republic of China)
Hunan Cappuccino Construction Materials Co., Limited
Registration No.: 430724000009689

49%
(Associate - Vietnam)
Viet Ceramics International Joint Stock Company
Business Registration Certification No.:0311028311

100%
(Subsidiary - People's Republic of China)
Foshan Hafary Trading Co., Limited
Registration No.: 440600400022964

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	3	2	1	1
Attendance				
Mr. Low Kok Ann	3	2*	1*	1*
Mr. Low See Ching	3	2*	1*	1*
Mr. Ong Beng Chye	3	2	1	1
Mr. Terrance Tan Kong Hwa	3	2	1	1
Mr. Chow Wen Kwan Marcus	3	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.

The Directors are informed via electronic mails and briefted during Board meetings of new or revision in laws and regulations which are relevant to the Group. Changes to financial reporting standards are monitored closely by the management.

BOARD COMPOSITION AND GUIDANCE

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

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

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

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

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 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.

To facilitate a more effective check on the management, the Independent Directors meet at least once a year with the internal and external auditors without the presence of the management. The Independent 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.

BOARD MEMBERSHIP AND BOARD PERFORMANCE

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

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

Nominating Committee (the "NC")

Our NC comprises the following Independent Directors:

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

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. The NC has conducted a Board performance evaluation to assess the effectiveness of the Board as a whole in FY2013.

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 See Ching
Mr. Chow Wen Kwan Marcus

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".

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.

During FY2013, the Board is informed of all material events and transactions as and when they occur and advice and/ or approval from the Board are sought on major transactions before they are entered into.

The agenda for Board meetings is prepared in consultation with the Executive Chairman and CEO 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 Secretary 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.

The Company Secretary 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 the following Independent Directors:

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

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 RC has reviewed and approved the service agreements of the Executive Directors which are valid for 3 years. The current service agreements are entered into with the Company on 29 October 2012, after the expiry of the previous service agreements. Service tenure is not excessively long and there is no onerous termination clause. Executive Directors are not paid directors' fees.

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.

All Independent Directors have no service agreements with the Company and do not receive any remuneration from the Company. They are paid directors' fees, which are determined by the Board based on contribution, effort, time spent and responsibilities of the Independent Directors. The directors' fees are subject to approval by the shareholders at each Annual General Meeting.

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.

Remuneration of Executive Directors and key management personnel comprises a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component which comprises bonuses is linked to the performance of the Company and the individual. In the financial year ended 30 June 2013, variable or performance related bonus made up 22% to 84% of the total remuneration of each Executive Director and key management personnel. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholder value creation.

For Executive Directors, amount of variable bonus payment (i.e. performance bonus) for the financial year is dependent on the amount of the Group's profit before income tax achieved as set out below:-

Profit before income tax (PBT)	Executive Chairman	CEO
Up to $3 million	2 months' salary	1.5%
Above $3 million and up to $5 million	3 months' salary	$45,000 plus 3.0% of PBT in excess of $3 million
Above $5 million	4 months' salary	$105,000 plus 4.5% of PBT in excess of $5 million

The Board is of the view that this quantitative criterion is able to align the Executive Directors' interests with shareholders' interests.

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

DISCLOSURE OF REMUNERATION

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

A breakdown showing the level and mix of each Director's remuneration for the financial year ended 30 June 2013 is as follows:

Remuneration Band & Name of Director	Director's Fee (%)	Salary, CPF and Allowance (%)	Variable or performance related bonus (%)	Total (%)
S$1,250,000 to S$1,499,999				
Mr. Low See Ching	-	16	84	100
S$250,000 to S$499,999				
Mr. Low Kok Ann	-	75	25	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 2013 as follows:

Remuneration Band & Name of Key Executive	Salary, CPF and Allowance (%)	Variable or performance related 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	78	22	100

* As at 30 June 2013, 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 2013.

As at 30 June 2013, the Company does not have any employee share scheme.

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.

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

AUDIT COMMITTEE

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

The Audit Committee (the "AC") comprises the following Independent Directors:

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

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.

The AC meets the external 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 2013 for audit and non-audit services are S$112,000 and S$12,000 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 will treat all information received confidentially and protect the identity and the interests of all whistle-blowers.

The Company has complied with Rules 712 and 715 of the Listing Manual.

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, BDO LLP, 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, by discussion with the management of the Company through a high level risk assessment exercise.

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 2013.

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.

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 key subsidiaries. The internal auditors, who have unrestricted access to the Group's documents, records, properties and personnel (including the AC), report directly to the AC Chairman.

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' interests and the Company's assets, while the management is responsible for establishing and implementing the internal controls procedures. The role of the internal auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The internal auditor plans its internal audit schedules in consultation with, but independent of, the management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The AC is satisfied that the internal audit team has adequate resources to perform its functions, and has appropriate standing within the Group.

The internal audit team is staffed with persons with relevant qualifications and experience and carry out its function according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

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 1207(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.

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 $100,000)			
	Conducted under shareholders' mandate pursuant to Rule 920		Not conducted under shareholders' mandate pursuant to Rule 920	
	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000
Rental paid to Ascender Investment Pte. Ltd.(1)	-	-	-	174
Sales to Hume Construction Pte. Ltd. (2)	8	2	-	35
Sales to Oxley Construction Pte. Ltd. (2)	845	23	-	448
Sales to Galaxy Builders Pte. Ltd. (3)	26	-	-	324

(1) As at 30 June 2013, 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, previously 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 2013, controlling shareholder of the Company (holding 19.28% 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., 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 2013, 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. Before 1 June 2012, Mr. Ching Chiat Kwong was a director and owns 100% of the shares of Galaxy Builders Pte. Ltd. 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 2013.

USE OF PROCEEDS FROM SHARE PLACEMENT

The Company refers to the net proceeds raised in February 2013 from the share placement of 20,000,000 new ordinary shares in the capital of the Company at an issue price of S$0.294 per ordinary share. Net proceeds amounting to S$5.8 million (after deducting expenses of approximately S$0.1 million incurred by the Company in connection with the share placement) was raised in this share placement exercise.

The net proceeds from the share placement were intended for the following purposes:

a) Redevelopment of the property at 18C Sungei Kadut Street 4 Singapore 729066

Approximately S$2.0 million (amounting to approximately 34.5% of the net proceeds) will be used to build a 3-storey support warehouse at 18C Sungei Kadut Street 4 for the storage of marble and stone materials; and

b) General working capital purposes

Approximately S$3.8 million (amounting to approximately 65.5% of the net proceeds) will be used for the purchasing and holding of inventory as the Group's business increase, in particular in relation to its public projects.

As announced on 23 September 2013, the Company has decided to construct a 2-storey support warehouse at 18C Sungei Kadut Street 4, instead of the previously proposed 3-storey support warehouse, in order to maximize cost efficiency. The 2-storey support warehouse at 18C Sungei Kadut Street 4 is expected to fulfill the operational needs of the Group. Consequently, the cost of redevelopment of the property at 18C Sungei Kadut Street 4 would be lower and net proceeds to be used for such purpose is expected to be reduced to S$1.5 million. The balance of S$0.5 million of net proceeds shall be re-allocated for general working capital purpose to support the on-going expansion of the Group's business in Singapore. The revised allocation of net proceeds shall be as follows:

Purposes	Allocation of net proceeds (S$'000)	Re-allocation (S$'000)	Revised allocation of net proceeds (S$'000)
Redevelopment of the property at 18C Sungei Kadut Street 4	2,000	(500)	1,500
For general working capital purposes	3,800	500	4,300
Total	5,800	-	5,800

The Board of Directors of the Company considers the above change in intended use of net proceeds advantageous to the Company and in the interest of the Company and shareholders of the Company as a whole.

As at 23 September 2013, the Company has partially utilised the net proceeds for the following purposes of the Group:-

a) Redevelopment of the property at 18C Sungei Kadut Street 4, amounting to S$166,000; and
b) General working capital purposes amounting to S$3,800,000.

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. during the financial year ended 30 June 2013.

On 18 June 2013, the Company transferred its listing from Catalist to the Mainboard of the Singapore Exchange after obtaining shareholders' approval at an extraordinary general meeting held on 12 June 2013. The appointment of the sponsor ceased on the date of transfer.

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 2013.

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 Companies Act, Chapter 50 ("the Act") 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	68,000,000	–	–
Low See Ching	21,900,000	30,600,000	46,250,000	92,500,000

By virtue of section 7 of the Act, 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 2013 were the same as those at the end of the reporting year.

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 Act 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.

4. Contractual Benefits of Directors (Cont'd)

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.

During the reporting year, 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 Act. 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 statutory 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 of the company. 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.

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 22 August 2013, which would materially affect the group's and the company's operating and financial performance for the reporting year ended 30 June 2013, as of the date of this report except for an additional impairment loss for the carrying value of an associate of $3,213,000 and reduction in director's bonus of $137,000 as announced on 27 September 2013.

On Behalf of The Directors

....
Low Kok Ann
Director

....
Low See Ching
Director

27 September 2013

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 30 June 2013 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and

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

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

On Behalf of The Directors

....

Low Kok Ann
Director

....

Low See Ching
Director

27 September 2013

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 (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 2013, and the consolidated statement of profit or loss and other 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 consolidated statement of profit or loss and other 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.

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 2013 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by 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
Chartered Accountants
Singapore

27 September 2013

Partner-in-charge of audit: Woo E-Sah
Effective from the reporting year ended 30 June 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2013

	Notes	2013 $'000	2012 $'000
Revenue	5	83,337	63,073
Other Items of Income			
Other Credits	6	24,092	174
Other Items of Expense			
Changes in Inventories of Finished Goods		5,184	6,444
Purchases and Related Costs		(54,757)	(43,639)
Employee Benefits Expense	7	(13,093)	(10,376)
Depreciation Expense	14	(1,423)	(951)
Impairment Losses	8	(4,728)	(164)
Other Charges	6	(335)	(1)
Finance Costs	9	(1,207)	(1,079)
Other Expenses	10	(7,315)	(7,290)
Share of Loss from Equity-Accounted Associates		(1,833)	(153)
Share of Profit from an Equity-Accounted Joint Venture		90	–
Profit Before Income Tax		28,012	6,038
Income Tax Expense	11	(5,130)	(968)
Profit, Net of Tax and Total Comprehensive Income for the Year		22,882	5,070
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent		22,328	4,547
- Non-Controlling Interests		554	523
		22,882	5,070
		Cents	**Cents**
Basic and Diluted Earnings Per Share	12	5.55	1.25

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	14	52,124	31,570	188	263
Investments in Subsidiaries	16	–	–	9,239	9,239
Investments in Associates	17	2,861	5,895	–	–
Investments in Joint Ventures	18	160	–	–	–
Total Non-Current Assets		55,145	37,465	9,427	9,502
Current Assets					
Development Property	15	–	32,265	–	–
Inventories	19	35,054	30,241	–	–
Trade and Other Receivables	20	29,969	17,164	34,413	15,133
Derivative Financial Instruments	27	197	–	–	–
Other Assets	21	6,039	1,713	41	41
Cash and Cash Equivalents	22	9,583	4,984	2,051	121
Total Current Assets		80,842	86,367	36,505	15,295
Total Assets		135,987	123,832	45,932	24,797
EQUITY AND LIABILITIES					
Equity					
Share Capital	23	26,634	20,875	26,634	20,875
Retained Earnings		18,042	10,429	11,139	3,144
Equity, Attributable to Owners of the Parent		44,676	31,304	37,773	24,019
Non-Controlling Interests		2,075	1,701	–	–
Total Equity		46,751	33,005	37,773	24,019
Non-Current Liabilities					
Deferred Tax Liabilities	11	239	224	–	–
Other Financial Liabilities	24	17,380	19,091	101	162
Total Non-Current Liabilities		17,619	19,315	101	162
Current Liabilities					
Provision	25	328	276	–	–
Income Tax Payable		5,328	572	11	4
Trade and Other Payables	26	18,183	8,929	7,986	553
Derivative Financial Instruments	27	–	43	–	–
Other Financial Liabilities	24	47,186	37,441	61	59
Other Liabilities	28	592	24,251	–	–
Total Current Liabilities		71,617	71,512	8,058	616
Total Liabilities		89,236	90,827	8,159	778
Total Equity and Liabilities		135,987	123,832	45,932	24,797

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2013

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 2012	33,005	31,304	20,875	10,429	1,701
Total Comprehensive Income for the Year	22,882	22,328	–	22,328	554
Dividends Paid (Note 13)	(14,715)	(14,715)	–	(14,715)	–
Dividends Paid to Non-Controlling Interests	(180)	–	–	–	(180)
Issue of Shares (Note 23)	5,880	5,880	5,880	–	–
Share Issue Expenses (Note 23)	(121)	(121)	(121)	–	–
Closing Balance at 30 June 2013	46,751	44,676	26,634	18,042	2,075
Previous Year:					
Opening Balance at 1 July 2011	25,186	23,798	14,508	9,290	1,388
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)
Issue of Shares (Note 23)	6,400	6,400	6,400	–	–
Share Issue Expenses (Note 23)	(33)	(33)	(33)	–	–
Closing Balance at 30 June 2012	33,005	31,304	20,875	10,429	1,701

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2013

Company:	Total Equity $'000	Share Capital $'000	Retained Earnings $'000
Current Year:			
Opening Balance at 1 July 2012	24,019	20,875	3,144
Total Comprehensive Income for the Year	22,710	–	22,710
Dividends Paid (Note 13)	(14,715)	–	(14,715)
Issue of Shares (Note 23)	5,880	5,880	–
Share Issue Expenses (Note 23)	(121)	(121)	–
Closing Balance at 30 June 2013	37,773	26,634	11,139
Previous Year:			
Opening Balance at 1 July 2011	17,296	14,508	2,788
Total Comprehensive Income for the Year	3,764	–	3,764
Dividends Paid (Note 13)	(3,408)	–	(3,408)
Issue of Shares (Note 23)	6,400	6,400	–
Share Issue Expenses (Note 23)	(33)	(33)	–
Closing Balance at 30 June 2012	24,019	20,875	3,144

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2013

	2013 $'000	2012 $'000
Cash Flows From Operating Activities		
Profit Before Income Tax	28,012	6,038
Interest Expense	1,207	1,079
Share of Loss of Associates	1,833	153
Share of Profit of Joint Venture	(90)	–
Depreciation of Property, Plant and Equipment	1,423	951
Impairment Loss on Investment in an Associate	4,020	–
Gain on Disposal of Development Property	(23,762)	–
(Gain) Loss on Disposal of Property, Plant and Equipment	(64)	1
Fair Value Gain on Derivative Financial Instruments	(240)	(20)
Operating Cash Flows Before Changes in Working Capital	12,339	8,202
Inventories	(4,813)	(6,277)
Trade and Other Receivables	(6,272)	(3,171)
Other Assets	(4,326)	137
Provision	52	11
Trade and Other Payables	2,139	1,908
Other Liabilities	(73)	542
Net Cash Flows (Used in) From Operations	(954)	1,352
Income Taxes Paid	(359)	(1,824)
Net Cash Flows Used in Operating Activities	(1,313)	(472)
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment (Note 22A)	(21,526)	(25,060)
Proceeds From Disposal of Property, Plant and Equipment	196	3
Payments for Development Property Costs	(8,539)	(8,782)
Progress Payments Received From Sale of Development Property	35,163	23,586
Investment in an Associate	(2,819)	(6,048)
Investments in Joint Ventures	(100)	–
Dividend Income from Joint Venture	25	–
Net Cash Flows From (Used in) Investing Activities	2,400	(16,301)
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	(8,280)	(3,408)
Dividends Paid to Non-Controlling Interests	(180)	(210)
Increase in Trust Receipts and Bills Payable	7,616	1,390
Repayment of Finance Lease Liabilities (Note 22A)	(263)	(131)
Proceeds From New Bank Loans	22,655	31,285
Repayment of Bank Loans	(22,267)	(14,947)
Issue of Shares	5,759	6,367
Interest Expense Paid	(1,528)	(1,862)
Net Cash Flows From Financing Activities	3,512	18,484
Net Increase in Cash and Cash Equivalents	4,599	1,711
Cash and Cash Equivalents, Beginning Balance	4,984	3,273
Cash and Cash Equivalents, Ending Balance (Note 22)	9,583	4,984

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

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") 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 was listed on Catalist which is a market on the Singapore Exchange Securities Trading Limited. On 18 June 2013, the company's listing was transferred from Catalist to the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activities of subsidiaries are described in Note 16 below.

The registered office is: 105 Eunos Avenue 3, Hafary Centre, Singapore 409836. The principal place of business is in Singapore.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

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 as transactions with owners in their capacity as owners. The carrying amounts of the groups' and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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.

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

Basis of Presentation (Cont'd)

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

The equity accounting method is used for the associates and joint ventures in the consolidated financial statements.

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 footnote, where applicable.

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, 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 from equity instruments is recognised as income when the entity's right to receive payment is established. Revenue from sale of units in development property is recognised in accordance with the accounting policy on development property (see below).

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.

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

Employee Benefits

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

Income Tax

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

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint venture companies 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.

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

Translation of Financial Statements of Other Entities

Each entity within 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 relevant reporting entity.

Subsidiaries

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

In the company's own separate financial statements, the investment in subsidiary is 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 carrying value and the net book value of the investment in subsidiary are not necessarily indicative of the amounts that would be realised in a current market exchange.

Associates

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 associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

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

Associates (Cont'd)

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, an investment in an 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 carrying values and the net book values of the investments in the associates are not necessarily indicative of the amounts that would be realised in a current market exchange.

Joint Ventures

A joint venture is a contractual arrangement with other parties to undertake an economic activity that is subject to joint control. The accounting for investments in a joint venture is on the equity method. The carrying value and the net book value of the investment in joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The reporting entity discontinues the use of this method from the date that it loses joint control over the joint venture 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 joint venture is measured at its fair value at the date that it ceases to be a joint venture.

Losses of a joint venture in excess of the group's interest in the relevant entity are not recognised except to the extent that the group has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the relevant joint venture.

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

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, the 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. For gain on bargain purchase, a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

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

Business Combinations (Cont'd)

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

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.

Borrowing Costs

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

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

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 terms of lease, that are from 2% 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.

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.

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

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 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.

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.

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

Financial Assets (Cont'd)

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: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss. They are classified as non-current assets unless management intends to dispose of the asset within 12 months of the end of the reporting year.

#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, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. 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.

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 expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

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

#1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. 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 the 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 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. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year.

Equity

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

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is 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 by setting up the grant as deferred income.

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 is disclosed in the note on inventories.

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 and customer creditworthiness 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 is disclosed in the note on trade and other receivables.

Estimated impairment of subsidiary or associate:
Where a subsidiary or associate is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount is disclosed in the notes on investments in subsidiaries and investments in associates.

3. Related Party Relationships and Transactions

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

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

#3.1 Related companies:

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

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees, an interest or charge is charged or imputed unless stated otherwise.

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:

	Director		**Other related parties**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Sale of goods	(4)	–	(879)	(807)
Rental expense	–	–	–	174

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

#3.2 Other related parties (Cont'd):

	Associate		Joint venture	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Sale of goods	–	–	(59)	–
Rental income	–	–	(91)	–
Other income	–	–	(68)	–
Receiving of services	–	–	411	–
Purchase of goods	166	–	–	–

#3.3 Key management compensation:

	Group	
	2013 $'000	2012 $'000
Salaries and other short-term employee benefits	2,389	1,371

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

	Group	
	2013 $'000	2012 $'000
Remuneration of directors of the company	1,739	738
Fees to directors of the company	110	100

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

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

The movements are as follows:

	Group and Company	
	2013 $'000	2012 $'000
Other payables to shareholders:		
Balance at beginning of the year	–	–
Interim dividend payable	3,568	–
Balance at end of the year (Note 26)	3,568	–

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

#3.4 Other receivables from and other payables to related parties (Cont'd):

	Group and Company	
	2013	2012
	$'000	$'000
Other payables to directors:		
Balance at beginning of the year	–	(10)
Interim dividend payable	2,867	–
Amounts paid out	–	10
Balance at end of the year (Note 26)	2,867	–

	Company	
	2013	2012
	$'000	$'000
Other receivables from subsidiaries:		
Balance at beginning of the year	12,558	7,228
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	3,948	7,975
Amounts paid in and settlement of liabilities on behalf of the company	(8,427)	(6,345)
Allowance for impairment	(5,861)	–
Dividend income	28,474	3,700
Balance at end of the year (Note 20)	30,692	12,558

	Group	
	2013	2012
	$'000	$'000
Other receivables from joint venture:		
Balance at beginning of the year	–	–
Amounts paid out and settlement of liabilities on behalf of the joint venture	349	–
Amounts paid in and settlement of liabilities on behalf of company	(74)	–
Capitalisation of amount due from joint venture into ordinary shares	(100)	–
Dividend income	30	–
Dividend paid in	(25)	–
Balance at end of the year (Note 20)	180	–

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.

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

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

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 home renovation or small property development. The quantities purchased are typically small.

Project segment includes customers who are usually involved in 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 $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2013:					
Revenue by segment:					
Total revenue by segment	49,279	49,256	–	227	98,762
Inter-segment sales	(1,615)	(13,810)	–	–	(15,425)
Total revenue	47,664	35,446	–	227	83,337
Recurring EBITD	8,320	5,190	(25)	227	13,712
Non-recurring EBITD	–	–	(5,089)	–	(5,089)
Gain on disposal of development property	–	–	23,762	–	23,762
Finance costs	(1,121)	(86)	–	–	(1,207)
Depreciation expense	(1,014)	(409)	–	–	(1,423)
Share of loss from equity-accounted associates	–	–	(1,833)	–	(1,833)
Share of profit from an equity-accounted joint venture	–	–	90	–	90
ORBIT	6,185	4,695	16,905	227	28,012
Income tax expense					(5,130)
Profit, net of tax					22,882

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

4B. Profit or Loss from Continuing Operations and Reconciliations (Cont'd)

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'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

4C. Assets, Liabilities and Reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2013:					
Segment assets	95,637	37,329	3,021	–	135,987
Segment liabilities	61,070	14,971	1,193	6,435	83,669
Deferred tax liabilities					239
Income tax payable					5,328
Total liabilities					89,236

	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

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

4D. Other Material Items and Reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Impairment of assets, net – made/(reversal):					
2013	586	122	4,020	–	4,728
2012	193	(29)	–	–	164
Expenditures for non-current assets:					
2013	13,851	8,258	9,250	–	31,359
2012	17,446	10,048	9,311	–	36,805

4E. Geographical Information

	Revenue		Non-Current Assets	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore	83,001	63,031	52,284	31,570
The People's Republic of China	–	–	–	5,895
Socialist Republic of Vietnam	–	–	2,861	–
Rest of Southeast Asia	336	42	–	–
Total	83,337	63,073	55,145	37,465

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 (2012: Nil).

5. Revenue

	Group	
	2013 $'000	2012 $'000
Sale of goods	83,111	62,996
Rental income	91	13
Other income	135	64
Total revenue	83,337	63,073

6. Other Credits and (Other Charges)

	Group	
	2013 $'000	2012 $'000
Foreign exchange adjustment (losses) gains, net	(335)	121
Fair value gain on derivative financial instruments	240	20
Commission income	–	1
Compensation income	4	1
Gain (Loss) on disposal of property, plant and equipment	64	(1)
Gain on disposal of development property	23,762	–
Government grant income	20	7
Insurance compensation received	2	–
Litigation settlement income	–	9
Sponsorships received	–	15
Net	23,757	173
Presented in profit or loss as:		
Other credits	24,092	174
Other charges	(335)	(1)
Net	23,757	173

7. Employee Benefits Expense

	Group	
	2013 $'000	2012 $'000
Salaries, bonuses and other short-term benefits	11,616	9,264
Contributions to defined contribution plan	1,477	1,112
Total employee benefits expense	13,093	10,376

8. Impairment Losses

	Group	
	2013 $'000	2012 $'000
Allowance for impairment of inventories	371	166
Allowance for impairment of trade receivables	434	169
Allowance for impairment of trade receivables, reversal	(127)	(178)
Bad debts (recovered) written off – trade receivables	(1)	12
Bad debts written off (recovered) – other receivables	31	(5)
Impairment allowance on investment in an associate	4,020	–
Total impairment losses	4,728	164

9. Finance Costs

	Group	
	2013 $'000	2012 $'000
Interest expense on:		
- bank loans	806	1,127
- bill payables	720	713
- finance lease liabilities	19	22
Less amounts included in the cost of qualifying assets:		
- property, plant and equipment	(307)	(254)
- development property	(31)	(529)
Total finance costs	1,207	1,079

10. Other Expenses

The major components include the following:

	Group	
	2013 $'000	2012 $'000
Advertising	135	121
Bank charges	160	156
Commission	621	532
Entertainment and refreshment	272	217
Hire of equipment and motor vehicles	187	133
Insurance expense	124	97
Legal and professional fees	358	666
Property tax	174	69
Printing and stationery	102	109
Rental of premises	2,400	2,061
Repair and maintenance	302	189
Staff welfare	236	198
Transportation expense	45	543
Traveling expense	106	111
Upkeep of forklifts	158	166
Upkeep of motor vehicles	760	609
Utilities	326	267
Audit fees to the independent auditors of the company	112	135
Audit fees to the other independent auditors	14	8
Non-audit fees to the independent auditors of the company	12	37
Total	6,604	6,424

11. Income Tax

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

	Group 2013 $'000	Group 2012 $'000
Current tax expense (income):		
Current tax expense	5,527	934
(Over) under adjustments in respect of prior years	(412)	53
	5,115	987
Deferred tax expense (income):		
Deferred tax expense (income)	15	(19)
Total income tax expense	5,130	968

The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2012: 17%) to profit before income tax as a result of the following differences:

	Group 2013 $'000	Group 2012 $'000
Profit before income tax	28,012	6,038
Add: Share of loss from equity-accounted associates	1,833	153
Less: Share of profit from an equity-accounted joint venture	(90)	–
	29,755	6,191
Income tax expense at the above rate	5,058	1,053
Not deductible items	657	23
Income not subject to tax	(152)	(133)
(Over) under adjustments to current tax in respect of prior years	(412)	53
Other minor items less than 3%	(21)	(28)
Total income tax expense	5,130	968

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

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

	Group 2013 $'000	Group 2012 $'000
Excess of net book values of property, plant and equipment over tax values	15	–
Excess of tax values over net book values of property, plant and equipment	–	(19)

11. Income Tax (Cont'd)

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

	Group	
	2013	2012
Deferred tax liabilities:	$'000	$'000
Excess of net book values of property, plant and equipment over tax values	239	224

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	
	2013	2012
	$'000	$'000
Profit, net of tax attributable to owners of the parent	22,328	4,547
	Number of shares	
	2013	2012
	'000	'000
Weighted average number of equity shares	402,479	363,296[1]

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

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. Both basic and diluted earnings per share are the same as there are no dilutive ordinary shares equivalents outstanding during the period.

[1] The number of ordinary shares outstanding was retrospectively adjusted for the effect of the share split. The number of shares outstanding is adjusted as if the share split was completed on the first day of the prior year.

13. Dividends on Equity Shares

	Group and Company 2013 $'000	Group and Company 2012 $'000
Final tax exempt (1-tier) dividend paid of 1.5 cent (2012: 0.9 cent) per share on total number of issued ordinary shares of 194,500,000 (2012: 162,500,000)	2,918	1,463
First interim tax exempt (1-tier) dividend paid of 2.5 cent (2012: 1.0 cent) per share on total number of issued ordinary shares of 214,500,000 (2012: 194,500,000)	5,362	1,945
Second interim tax exempt (1-tier) dividend payable of 1.5 cent (2012: Nil) per share on total number of issued ordinary shares of 429,000,000 (2012: Nil)	6,435	–
Total dividends paid/ payable during the year	14,715	3,408

In respect of the current reporting year, the directors propose that a final dividend of 2.5 cent per share with a total of $10,725,000 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 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.

14. Property, Plant and Equipment

	Leasehold Properties $'000	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Group				
Cost:				
At 1 July 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
Additions	20,846	784	479	22,109
Disposals	–	(71)	(428)	(499)
At 30 June 2013	49,871	4,739	2,075	56,685
Accumulated depreciation:				
At 1 July 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
Depreciation for the year	485	662	276	1,423
Disposals	–	(48)	(319)	(367)
At 30 June 2013	1,055	2,418	1,088	4,561
Net book value:				
At 1 July 2011	2,201	2,016	814	5,031
At 30 June 2012	28,455	2,222	893	31,570
At 30 June 2013	48,816	2,321	987	52,124

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

	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Company			
Cost:			
At 1 July 2011, 30 June 2012 and 30 June 2013	2	375	377
Accumulated depreciation:			
At 1 July 2011	1	37	38
Depreciation for the year	1	75	76
At 30 June 2012	2	112	114
Depreciation for the year	–	75	75
At 30 June 2013	2	187	189
Net book value:			
At 1 July 2011	1	338	339
At 30 June 2012	–	263	263
At 30 June 2013	–	188	188

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

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

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

	Group	
	2013 $'000	2012 $'000
Borrowing costs capitalised included in additions during the year	307	254
Accumulated interest capitalised included in the total costs	561	254

15. Development Property

	Group	
	2013	2012
	$'000	$'000
At cost:		
At beginning of the year	32,265	22,954
Amounts incurred during the year	9,250	9,311
Disposal during the year	(41,515)	–
At end of the year	–	32,265
Borrowing costs capitalised included in the additions during the year	31	529
Accumulated interest capitalised included in the total costs	814	783

On 11 October 2010, the group acquired freehold land located at 82 Lorong 23 Geylang, Singapore 388409 (former address: 79 Aljunied Road, Singapore 289822) (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 and to sell the units in the building.

During the reporting year ended 30 June 2012, the group had entered sale and purchase agreements for all the units in the Aljunied Property. The progress payments received from the sale of units in the development property were classified under other liabilities.

During the reporting year ended 30 June 2013, the group recognised a one-time gain on disposal of the Aljunied Property, after the risks and rewards of ownership of the Aljunied Property was transferred to the purchasers, following the issuance of temporary occupancy permit in December 2012.

The Aljunied Property was mortgaged to secure bank loans relating to acquisition and development of the Aljunied Property (Note 24B). The interest expense capitalised in the development property was at 2.07% (2012: 1.97%) per annum of the drawdown loan amount. The security was discharged upon full repayment of the bank loans in November 2012.

16. Investments in Subsidiaries

	Company	
	2013	2012
	$'000	$'000
Unquoted equity shares at cost	9,239	9,239

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 books of the company		Effective percentage of equity held	
	2013	2012	2013	2012
	$'000	$'000	%	%
Hafary Pte Ltd #a Singapore Importer and dealer of building materials	9,239	9,239	100	100
<u>Held through Hafary Pte Ltd:</u>				
Surface Project Pte. Ltd. #a Singapore Distribute and wholesale of building materials			70	70
Surface Stone Pte. Ltd. #a Singapore Dealer of stones for home furnishing			90	90
Wood Culture Pte. Ltd. #a Singapore Dealer of wood for home furnishing			80	80
Hafary Centre Pte. Ltd. #a Singapore Investment holding			100	100
Hafary China Pte. Ltd. #a Singapore Investment holding			100	100
Hafary Vietnam Pte. Ltd. #a Singapore Investment holding			100	100
Hafary International Pte. Ltd. #b Singapore (Incorporated on 5 March 2013) Investment holding			100	–

#a Audited by RSM Chio Lim LLP, a member firm of RSM International.
#b Not audited, as it is immaterial.

17. Investments in Associates

	Group 2013 $'000	Group 2012 $'000
Unquoted equity shares at cost	7,302	5,241
Goodwill at cost	1,565	807
Allowance for impairment	(4,020)	–
Share of post-acquisition losses	(1,986)	(153)
	2,861	5,895
Movements in carrying value:		
At beginning of the year	5,895	–
Additions	2,819	6,048
Allowance for impairment	(4,020)	–
Share of loss for the year	(1,833)	(153)
At end of the year	2,861	5,895
Movements in above allowance for impairment:		
At beginning of the year	–	–
Impairment loss charged to profit or loss	4,020	–
At end of the year	4,020	–

The costs of investments in the associates are denominated in Chinese Renminbi and Vietnamese Dong.

The carrying value of the investment in HCCM was impaired in full as there were indications which cast significant doubt on HCCM's ability to continue as a going concern.

The associates held by the group are listed below:

Name of associates, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held 2013 %	Effective percentage of equity held 2012 %
Hunan Cappuccino Construction Materials Co., Limited ("HCCM") #a The People's Republic of China Manufacturing and trading of ceramic tiles and building materials (RSM China CPA Firm Shanghai International Division)	45	45
Viet Ceramics International Joint Stock Company ("VCI") #a Socialist Republic of Vietnam (Acquired on 25 September 2012) Importer and dealer of building materials (RSM DTL Auditing Company)	49	–

#a Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

17. Investments in Associates (Cont'd)

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

Name of associates: 2013	Assets $'000	Liabilities $'000	Revenues $'000	Profit (Losses) for the year $'000
HCCM	30,927	28,116	2,060	(4,072)
VCI	5,507	1,368	5,520	85

Name of associates: 2012	Assets $'000	Liabilities $'000	Revenues $'000	Losses for the year $'000
HCCM	15,802	8,892	–	(340)

18. Investments in Joint Ventures

	Group	
	2013 $'000	2012 $'000
Unquoted equity shares at cost	100	–
Share of post-acquisition profits, net of dividends	60	–
	160	–
Movements in carrying value:		
At beginning of the year	–	–
Additions	100	–
Share of profit for the year	90	–
Dividends	(30)	–
At end of the year	160	–

The joint ventures held by the group are listed below:

Name of joint ventures, country of incorporation, place of operations and principal activities	Effective percentage of equity held 2013 %	2012 %
Melmer Stoneworks Pte. Ltd. #a Singapore (Incorporated on 1 July 2012) Cutting, shaping and finishing of stone	50	–
Mediterranean Trends Pte. Ltd. #b Singapore (Incorporated on 11 April 2013) Dormant	50	–

#a Audited by RSM Chio Lim LLP, a member firm of RSM International.
#b Not audited and not equity accounted as it is immaterial.

18. Investments in Joint Ventures (Cont'd)

The summarised financial information at Melmer Stoneworks Pte. Ltd. not adjusted for the percentage ownership held by the group, is as follow:

	Group	
	2013	**2012**
	$'000	**$'000**
Assets	670	–
Liabilities	350	–
Revenue	1,220	–
Profit for the year	180	–

19. Inventories

	Group	
	2013	**2012**
	$'000	**$'000**
Goods held for resale	35,054	30,241
Inventories are stated after allowance. Movement in allowance:		
Balance at beginning of the year	823	657
Charged to profit or loss included in impairment losses	371	166
Balance at end of the year	1,194	823

There are no inventories pledged as security for liabilities.

20. Trade and Other Receivables

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	23,388	17,278	4	4
Less: Allowance for impairment	(1,385)	(1,078)	–	–
Subsidiaries (Note 3)	–	–	3,717	2,571
Joint venture (Note 3)	63	–	–	–
Other related parties (Note 3)	468	454	–	–
Subtotal	22,534	16,654	3,721	2,575
Other receivables:				
Subsidiaries (Note 3)	–	–	36,553	12,558
Less: Allowance for impairment	–	–	(5,861)	–
Joint venture (Note 3)	180	–	–	–
Staff loans	13	32	–	–
Refundable deposits	557	438	–	–
Receivable from disposal of development property	6,528	–	–	–
Others	157	40	–	–
Subtotal	7,435	510	30,692	12,558
Total trade and other receivables	29,969	17,164	34,413	15,133

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Movements in above allowance:				
Balance at beginning of the year	1,078	1,087	–	–
Charged to profit or loss included in impairment losses	434	169	5,861	–
Reversed to profit or loss included in impairment losses	(127)	(178)	–	–
Balance at end of the year	1,385	1,078	5,861	–

21. Other Assets

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Advance payments to suppliers	5,283	1,445	–	–
Prepayments	180	138	41	41
Deposits to secure services	576	130	–	–
Total other assets	6,039	1,713	41	41

22. Cash and Cash Equivalents

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not restricted in use	9,583	4,984	2,051	121

There is no interest earning balance.

22A. Non-Cash Transaction:

During the reporting year, a motor vehicle with a cost of $276,000 (2012: $200,000) was acquired by means of finance lease.

23. Share Capital

	Number of shares issued '000	Share capital $'000
Group and company:		
Ordinary shares of no par value:		
Balance at 1 July 2011	162,500	14,508
Issue of shares pursuant to share placement	32,000	6,400
Share issue expenses	–	(33)
Balance at 30 June 2012	194,500	20,875
Issue of shares pursuant to share placement	20,000	5,880
Share issue expenses	–	(121)
Shares split of every 1 ordinary share split into 2 ordinary shares	214,500	–
Balance at 30 June 2013	429,000	26,634

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 share placement exercise.

On 27 February 2013, the company issued 20,000,000 new ordinary shares of no par value at an issue price at $0.294 for each ordinary share in a share placement exercise.

On 15 May 2013, the company completed share split of every 1 ordinary share in the share capital of the company into 2 ordinary shares. Prior to the share split, the company had an issued and paid-up share capital of $26,634,000 comprising 214,500,000 ordinary shares. Following the completion of share split, the company has an issued and paid-up share capital comprising 429,000,000 ordinary shares.

23. Share Capital (Cont'd)

On 18 June 2013, the company transferred its listing from Catalist to the Mainboard of the Singapore Exchange after obtaining shareholders' approval at an extraordinary general meeting held on 12 June 2013. Prior to the transfer to Mainboard, the company 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. The appointment of the sponsor was ceased on the date of transfer.

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.

Capital Management:

In order to maintain its listing on the Mainboard of the Singapore Exchange, the company, being a listed company with market capitalization of less than $300 million, has to maintain a public float of at least 25% of the share capital. 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 reporting year. Management receives shareholder list from the share registrar monthly and identifies substantial share interests showing the non-public float. The management demonstrated continuing compliance with the relevant non-public float limit throughout the year.

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. Adjusted capital comprises all components of equity (that is, share capital and reserves).

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.

	Group	
	2013 **$'000**	**2012** **$'000**
Net debt:		
All current and non-current borrowings including finance leases	64,566	56,532
Less: Cash and cash equivalents	(9,583)	(4,984)
	54,983	51,548
Adjusted capital:		
Total equity	46,751	33,005
Debt-to-adjusted capital ratio	117.6%	156.2%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the issuance of shares and a favourable change with improved retained earnings.

24. Other Financial Liabilities

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-current:				
Bank loans A (secured) (Note 24A)	369	1,491	–	–
Bank loans E (secured) (Note 24E)	16,602	8,357	–	–
Bank loans F (secured) (Note 24F)	–	8,847	–	–
Finance leases (Note 24I)	409	396	101	162
Non-current, total	17,380	19,091	101	162
Current:				
Bank loans A (secured) (Note 24A)	1,194	1,466	–	–
Bank loan B (secured) (Note 24B)	–	5,003	–	–
Bank loan C (secured) (Note 24C)	2,503	–	–	–
Bank loan D (secured) (Note 24D)	1,500	–	–	–
Bank loans E (secured) (Note 24E)	765	329	–	–
Bank loans F (secured) (Note 24F)	15,473	–	–	–
Other bank loans (secured) (Note 24G)	–	12,509	–	–
Trust receipts and bills payable (Note 24H)	25,579	17,963	–	–
Finance leases (Note 24I)	172	171	61	59
Current, total	47,186	37,441	61	59
Total	64,566	56,532	162	221

The non-current portion is repayable as follows:

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Due within 2 to 5 years	4,752	13,071	101	162
After 5 years	12,628	6,020	–	–
Total non-current portion	17,380	19,091	101	162

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

	Group	
	2013	2012
Bank loans A (secured)	2.32% to 2.39%	2.38% to 2.68%
Bank loan B (secured)	2.07%	1.97% to 2.19%
Bank loan C (secured)	1.87% to 2.52%	–
Bank loan D (secured)	1.87%	–
Bank loans E (secured)	1.85% to 2.30%	1.97% to 2.08%
Bank loans F (secured)	2.07% to 2.11%	1.71% to 2.25%
Other bank loans (secured)	2.07%	1.97% to 2.17%
Trust receipts and bills payable	1.70% to 3.48%	2.13% to 6.25%

24. Other Financial Liabilities (Cont'd)

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

	Group	
	2013	**2012**
Finance leases	1.30% to 2.50%	1.88% to 2.50%

24A. Bank Loans A (Secured)

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

The agreements 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 properties with carrying values of $3,364,000 (2012: $3,449,000) (Note 14).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

24B. Bank Loan B (Secured)

This related to loan for the acquisition of the development property at 82 Lorong 23 Geylang, Singapore 388409 (former address: 79 Aljunied Road, Singapore 389822) (Note 15).

The agreement for the bank loan provided 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 (2012: Carrying value of $32,265,000) (Note 15).
(iii) Corporate guarantee from the company (2012: $37,500,000).
(iv) Need to comply with certain financial covenants.

The loan had been repaid during the reporting year ended 30 June 2013.

24C. Bank Loan C (Secured)

This relates to loan for working capital purpose.

The agreement for the bank loan 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) First legal mortgage over the leasehold property with a carrying value of $1,821,000 (Note 14).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

24. Other Financial Liabilities (Cont'd)

24D. Bank Loan D (Secured)

This relates to loan for working capital purpose.

The agreement for the bank loan 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.

24E. Bank Loans E (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 agreements 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 $23,954,000 (2012: $12,449,000) (Note 14).
(iv) Corporate guarantees from the company and certain subsidiary of $19,160,000 (2012: $19,160,000) each.
(v) Need to comply with certain financial covenants.

24F. Bank Loans F (Secured)

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

The agreements 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 $21,498,000 (2012: $12,557,000) (Note 14).
(iii) Corporate guarantees from the company and certain subsidiary of $19,160,000 (2012: $19,160,000) each.
(iv) Need to comply with certain financial covenants.

24. Other Financial Liabilities (Cont'd)

24G. Other Bank Loans (Secured)

These related to loans for working capital purpose.

The agreements for the bank loans provided 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.

The loans had been repaid during the reporting year ended 30 June 2013.

24H. Trust Receipts and Bills Payable

These are repayable within 150 to 180 days (2012: 150 to 180 days) and are guaranteed by the company.

24I. Finance Leases

	Minimum payments $'000	Finance charges $'000	Present value $'000
Group:			
2013			
Minimum lease payments payable:			
Due within one year	188	(16)	172
Due within 2 to 5 years	427	(18)	409
Total	615	(34)	581
Net book value of motor vehicles under finance leases			706
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 motor vehicles under finance leases			715

24. Other Financial Liabilities (Cont'd)

24I. Finance Leases (Cont'd)

	Minimum payments $'000	Finance charges $'000	Present value $'000
Company:			
2013			
Minimum lease payments payable:			
Due within one year	66	(5)	61
Due within 2 to 5 years	104	(3)	101
Total	170	(8)	162
Net book value of motor vehicle under finance leases			188
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 motor vehicle under finance leases			263

There are leased assets under finance leases. 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. Other details are as follows:

	2013	2012
Average lease term in years	4	4
Fixed rate of interest per annum	1.30% to 2.50%	1.88% to 2.50%

25. Provision

	Group 2013 $'000	Group 2012 $'000
Provision for rebates	328	276
Movements in above provision:		
Balance at beginning of the year	276	265
Additions	328	276
Used	(276)	(265)
Balance at end of the year	328	276

26. Trade and Other Payables

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Trade payables:				
Outside parties and accrued liabilities	10,283	7,693	1,551	553
Joint venture (Note 3)	173	–	–	–
Subtotal	10,456	7,693	1,551	553
Other payables:				
Directors (Note 3)	2,867	–	2,867	–
Shareholders (Note 3)	3,568	–	3,568	–
Outside parties	1,292	1,236	–	–
Subtotal	7,727	1,236	6,435	–
Total trade and other payables	18,183	8,929	7,986	553

27. Derivative Financial Instruments

	Group 2013 $'000	Group 2012 $'000
Assets (Liabilities) - Derivative with positive (negative) fair value:		
Forward currency contracts	197	(43)
The movements during the year were as follows:		
Balance at beginning of the year	(43)	(63)
Gains in profit or loss under other credits	240	20
Balance at end of the year	197	(43)

27. Derivative Financial Instruments (Cont'd)

27A. Forward Currency Contracts

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

	Reference currency- United States dollar		Reference currency- Euro		Total	
	Principal $'000	Fair value $'000	Principal $'000	Fair value $'000	Principal $'000	Fair value $'000
Maturity						
2013:						
Within the next 2 months	360	8	389	6	749	14
Within 3 to 4 months	4,746	108	945	32	5,691	140
Within 5 to 6 months	1,230	33	381	10	1,611	43
	6,336	149	1,715	48	8,051	197
2012:						
Within the next 2 months	1,788	(8)	583	(14)	2,371	(22)
Within 3 to 4 months	503	5	844	(24)	1,347	(19)
Within 5 to 6 months	2,130	–	433	(2)	2,563	(2)
	4,421	(3)	1,860	(40)	6,281	(43)

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

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	
	2013 $'000	2012 $'000
Progress payments received from sale of development property (Note 15)	–	23,586
Advance payments received from customers	592	665
Total other liabilities	592	24,251

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial assets:				
Cash and bank balances	9,583	4,984	2,051	121
Loans and receivables	29,969	17,164	34,413	15,133
Financial assets at fair value through profit or loss	197	–	–	–
	39,749	22,148	36,464	15,254
Financial liabilities:				
Other financial liabilities at amortised cost	64,566	56,532	162	221
Trade and other payables at amortised cost	18,183	8,929	7,986	553
Financial liabilities at fair value through profit or loss	–	43	–	–
	82,749	65,504	8,148	774

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 recognised 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). The methods and valuation techniques used and assumptions applied in determining fair values are disclosed in relevant notes in these financial statements.

Balances recognised at positive fair value in the statement of financial position included derivative financial instruments of $197,000 (2012: negative fair value of $43,000). 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, cash equivalents and receivables and certain other financial assets. 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 on 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 (2012: 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	
	2013 $'000	**2012 $'000**
Trade receivables:		
61 to 90 days	3,316	1,724
Over 90 days	7,946	5,256
Total	11,262	6,980

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	
	2013 $'000	2012 $'000
Trade receivables:		
Over 90 days	1,385	1,078

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $1,385,000 (2012: $1,078,000) 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):

	Less than 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
2013:				
Gross borrowings commitments	47,668	5,807	14,374	67,849
Gross finance lease obligations	188	427	–	615
Trade and other payables	18,183	–	–	18,183
	66,039	6,234	14,374	86,647
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

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

29E. Liquidity Risk (Cont'd)

	Less than 1 year $'000	2 to 5 years $'000	Total $'000
Company			
2013:			
Gross finance lease obligations	66	104	170
Trade and other payables	7,986	–	7,986
	8,052	104	8,156
2012:			
Gross finance lease obligations	66	170	236
Trade and other payables	553	–	553
	619	170	789

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the report date. The following table analyses the derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Less than 1 year	
	2013 $'000	2012 $'000
Group		
Forward currency contracts	8,051	6,281

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 amount can be claimed by the other party is used. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	Total $'000
Group				
2013:				
Financial guarantee contracts in favour of an associate (Note 3)	452	3,161	–	3,613
2012:				
Financial guarantee contracts in favour of an associate (Note 3)	–	–	–	–

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

29E. Liquidity Risk (Cont'd)

	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	Total $'000
Company				
2013:				
Financial guarantee contracts in favour of subsidiaries (Note 3)	46,985	4,342	12,628	63,955
2012:				
Financial guarantee contracts in favour of subsidiaries (Note 3)	37,271	12,673	6,021	55,965

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 (2012: 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	
	2013 $'000	2012 $'000
Undrawn borrowing facilities	22,832	15,130
Unused bank guarantees	637	–

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.

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial liabilities:				
Fixed rates	581	567	162	221
Floating rates	63,985	55,965	–	–
	64,566	56,532	162	221

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

29F. Interest Rate Risk (Cont'd)

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	
	2013	**2012**
	$'000	**$'000**
A hypothetical increase in interest rates by 10 basis points with all other variables held constant would have decreased pre-tax profit by	65	57

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

29G. Foreign Currency Risk

Analysis of amounts denominated in non-functional currency:

	United States dollar $'000	**Euro $'000**	**Total $'000**
Group:			
Financial liabilities:			
2013:			
Other financial liabilities	14,323	5,040	19,363
Trade and other payables	251	360	611
	14,574	5,400	19,974
2012:			
Other financial liabilities	9,649	3,763	13,412
Trade and other payables	335	344	679
	9,984	4,107	14,091

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 27A illustrates the forward currency contracts in place at the end of the reporting year.

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

29G. Foreign Currency Risk (Cont'd)

Sensitivity analysis:

	Group	
	2013 $'000	2012 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the following currencies with all other variables held constant would have increased pre-tax profit by:		
United States dollar	1,457	998
Euro	540	411

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in 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 non-functional 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 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	
	2013 $'000	2012 $'000
Commitments to construct or develop leasehold properties	2,948	20,311
Commitments to construct or develop development property	–	9,200
Commitments to purchase property, plant and equipment	3	48

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	
	2013	2012
	$'000	$'000
Not later than one year	1,904	1,957
Later than one year and not later than five years	4,813	2,273
Later than five years	14,266	8,945
Rental expense for the year	2,400	2,061

Operating lease payments are for rentals payable for the group's office, warehouses and retail premises. The leases from Jurong Town Corporation are for thirteen to forty-eight years. The lease rental terms, except for leases from Jurong Town Corporation, are negotiated for terms of two to three 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.

As at the end of the reporting year and up to date of the financial statements, HCCM drawn down a part of the bank loan facility amounting to RMB39,000,000 (approximately $8,030,000). Accordingly, the guarantees provided by Hafary China Pte. Ltd. to the extent of its financial interest in HCCM for above bank facility amounted to RMB17,550,000 (approximately $3,613,000).

33. Event Subsequent to the End of the Reporting Year

On 2 July 2013, the group, Mr Low See Ching and external parties incorporated a company, World Furnishing Hub Pte. Ltd., in Singapore. World Furnishing Hub Pte. Ltd. has an issued and paid-up share capital of $100 and the group effectively owns 90% interest in this company.

On 26 July 2013, the group's wholly-owned subsidiary, Hafary International Pte. Ltd. incorporated a company, Foshan Hafary Trading Co., Limited in People's Republic of China. Foshan Hafary Trading Co., Limited has an issued and paid-up share capital of US$300,000.

34. Changes and Adoption of Financial Reporting Standards

For the reporting year ended 30 June 2013, the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income
FRS 27	Consolidated and Separate Financial Statements (Amendments to)

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	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)	1 January 2013
FRS 16	Amendment to IAS 16 Property, Plant and Equipment (Annual Improvements)	1 January 2013
FRS 19	Employee Benefits (Revised)	1 January 2013
FRS 27	Separate Financial Statements (Revised)	1 January 2014
FRS 28	Investments in Associates and Joint Ventures (Revised)	1 January 2014
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)	1 January 2013
FRS 36	Amendments to FRS36 (Jul 2013): Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
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 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112	1 January 2014
FRS 113	Fair Value Measurements	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 20 SEPTEMBER 2013

Number of shares	:	429,000,000
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	0.11	500	–
1,000 - 10,000	151	16.13	1,209,500	0.28
10,001 - 1,000,000	769	82.16	62,980,000	14.68
1,000,001 AND ABOVE	15	1.60	364,810,000	85.04
TOTAL	936	100.00	429,000,000	100.00

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Low Kok Ann [1]	68,000,000	15.85	–	–
Low See Ching [1]	30,600,000	7.13	92,500,000[2]	21.56
Dr Low Bee Lan Audrey [1]	41,104,000	9.58	–	–
Ching Chiat Kwong	21,000,000	4.90	61,700,000[3]	14.38

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

2 60,000,000 shares are held in the name of Bank of Singapore Nominees Pte Ltd and 32,500,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd.

3 16,700,000 shares are held in the name of Bank of Singapore Nominees Pte Ltd and 45,000,000 shares are held in the name of DB Nominees (S) Pte Ltd.

Twenty Largest Shareholders

NO.	NAME	NO. OF SHARES	%
1	BANK OF SINGAPORE NOMINEES PTE LTD	82,100,000	19.14
2	LOW KOK ANN	68,000,000	15.85
3	DB NOMINEES (SINGAPORE) PTE LTD	45,015,000	10.49
4	LOW BEE LAN AUDREY	41,104,000	9.58
5	HONG LEONG FINANCE NOMINEES PTE LTD	40,645,000	9.47
6	LOW SEE CHING (LIU SHIJIN)	30,600,000	7.13
7	CHING CHIAT KWONG	21,000,000	4.90
8	MAYBANK NOMINEES (S) PTE LTD	13,228,000	3.08
9	LOW EE HWEE	5,330,000	1.24
10	DBS NOMINEES PTE LTD	5,068,000	1.18
11	BANK OF EAST ASIA NOMINEES PTE LTD	4,639,000	1.08
12	UOB KAY HIAN PRIVATE LIMITED	3,123,000	0.73
13	PHOON WAIE KUAN	2,232,000	0.52
14	MAYBANK KIM ENG SECURITIES PTE LTD	1,614,000	0.38
15	LEE WAN LING (LI WANLING)	1,112,000	0.26
16	CHIA GEK LUAN	1,000,000	0.23
17	NG HONG WHEE	1,000,000	0.23
18	RAFFLES NOMINEES (PTE) LIMITED	912,000	0.21
19	OCBC SECURITIES PTE LTD	910,000	0.21
20	PHILLIP SECURITIES PTE LTD	777,000	0.18
	TOTAL	369,409,000	86.09

Percentage of Shareholding in Public Hands

26.6% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of The Singapore Exchange Securities Trading Limited Manual.

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, 25 October 2013 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 2013 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 2.5 cents per ordinary share one-tier tax-exempt for the year ended 30 June 2013 (2012: 1.5 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 See Ching (Liu Shijin) **(Resolution 3)**
   Mr Chow Wen Kwan Marcus **(Resolution 4)**

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

4. To approve the payment of Directors' Fees of S$110,000 for the year ended 30 June 2013 (2012: 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 the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

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

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

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

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

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 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), 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 twenty per centum (20%) 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 Listing Manual of the Singapore Exchange Securities Trading Limited 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 the Listing Manual of the Singapore Exchange Securities Trading Limited:

(a) approval be given for the renewal of 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 Appendix 1 to the Notice of Annual General Meeting dated 10 October 2013 ("**Appendix 1**") with any party who is of the class of Interested Persons described in Appendix 1, 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 Appendix 1 (the "**Shareholders' Mandate**");

(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 to give effect to the Shareholders' Mandate as they may think fit.

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

9. **The Proposed Adoption of The Performance Share Plan**

That:

(a) a performance share plan, the rules and details of which has been set out in Appendix 2 to the Notice of Annual General Meeting dated 10 October 2013 ("**Appendix 2**") (the "**Performance Share Plan**") be and is hereby approved and adopted; and

(b) the Directors of the Company be and are hereby authorised:

(i) to establish and administer the Performance Share Plan;

(ii) to modify and/or amend the Performance Share Plan from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the Performance Share Plan and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Performance Share Plan;

(iii) to grant Awards (as defined in Appendix 2) in accordance with the rules of the Performance Share Plan and to allot and issue or deliver from time to time such number of new shares required pursuant to the vesting of the Awards under the Performance Share Plan; and

(iv) to complete and do all acts and things (including executing such documents as may be required) as they may consider necessary, desirable or expedient for the purposes of or to give effect to this resolution as they think fit and in the interests of the Company.

[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary

Singapore, 10 October 2013

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% 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 Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in Appendix 1 and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at 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 the earlier.

(iii) The proposed Ordinary Resolution 9 in item 9 relating to the Performance Share Plan, if passed, will authorise the Directors of the Company to establish and administer the Performance Share Plan and do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Performance Share Plan. The Performance Share Plan will continue in force at the discretion of the Committee (as defined in Appendix 2), subject to a maximum period of 10 years from the date on which the Performance Share Plan is adopted.

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 105 Eunos Avenue 3, Hafary Centre, Singapore 409836 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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HAFARY HOLDINGS LIMITED

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

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

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, 25 October 2013 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 2013		
2	Payment of proposed final dividend		
3	Re-election of Mr Low See Ching (Liu Shijin) as a Director		
4	Re-election of Mr Chow Wen Kwan Marcus as a Director		
5	Approval of Directors' Fees amounting to S$110,000		
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		
9	Adoption of the Performance Share Plan		

Dated this ____________ day of ____________________ 2013

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 105 Eunos Avenue 3, Hafary Centre, Singapore 409836 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

EUNOS
105 Eunos Avenue 3
Singapore 409836
Tel: 6250 1368 (6 Lines)
Fax: 6383 1536 (Sales/Orders)
Email: eunosshowroom@hafary.com.sg
Mon to Sat: 9.00am – 7.00pm
Sun and PH: 10.30am – 5.30pm

BALESTIER
560/560A Balestier Road
Singapore 329876
Tel: 6250 1369 (3 Lines)
Fax: 6255 4450
Email: balestiershowroom@hafary.com.sg
Mon to Fri: 9.00am – 7.30pm
Sat: 9.00am – 7.00pm
Sun and PH: 10.30am – 5.00pm

TRADEHUB 21
18 Boon Lay Way
#01-132 Tradehub 21
Singapore 609966
Tel: 6570 6265 (3 Lines)
Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg
Mon to Sat: 10.00am – 7.00pm
Sun and PH: 10.00am – 5.00pm

合發利控股有限公司
HAFARY HOLDINGS LIMITED
(Company Registration No. 200918637C)
105 Eunos Avenue 3
Singapore 409836