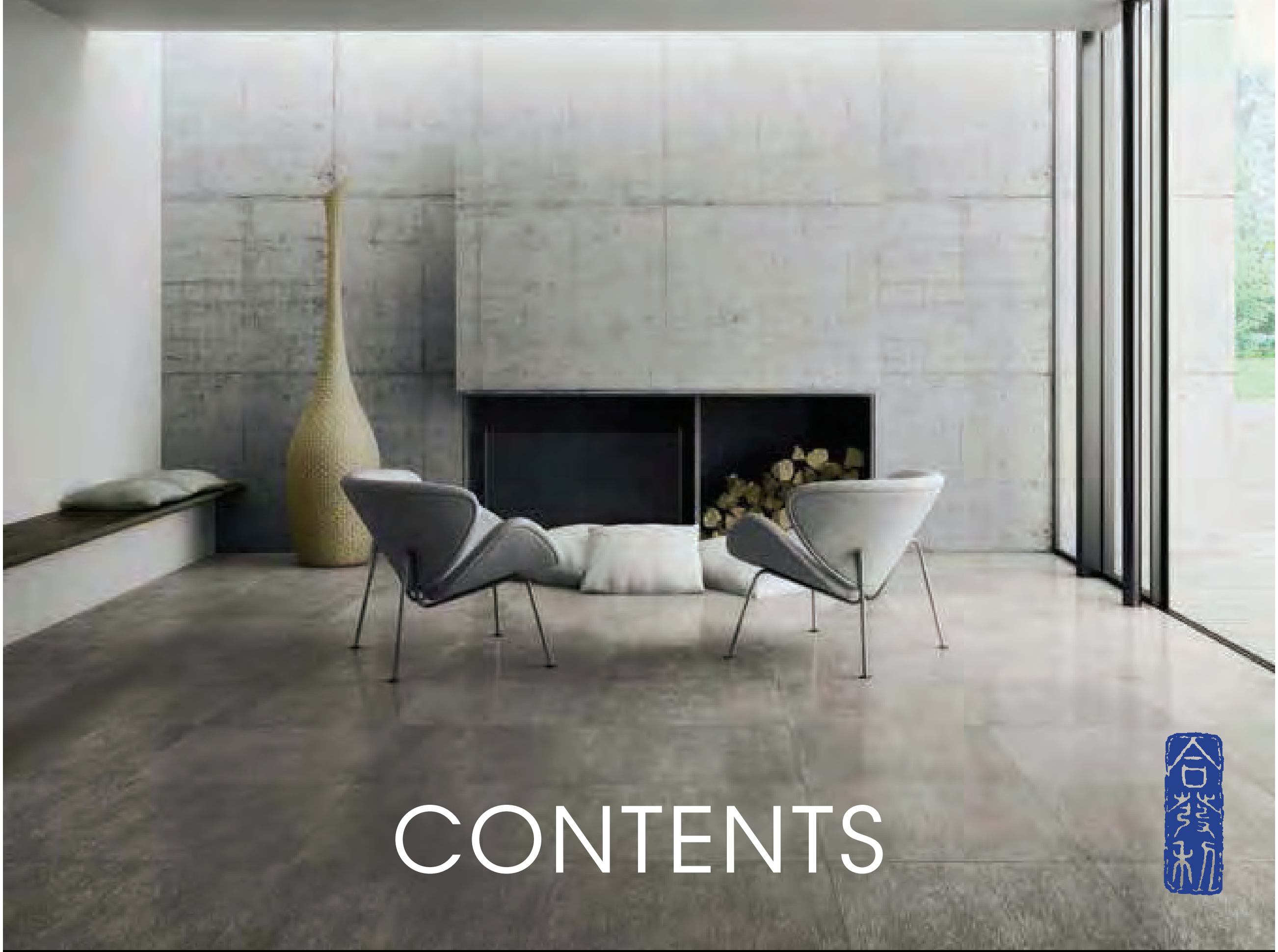
Annual Report 2014

HAFARY

Holdings Limited

TILE • STONE • MOSAIC • SANITARY WARE & FITTINGS • WOOD FLOORING • QUARTZ TOP
The Leading Building Material Supplier Since 1980



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CORPORATE PROFILE

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

Established in 1980 by Executive Chairman, Mr Low Kok Ann, Hafary is organized into 2 core business segments: General and Project. The General segment is spearheaded by the largest sales generator of the group, Hafary Pte Ltd, that supplies ceramics and stone tiles, quartz top and sanitary ware and fittings. Surface Project Pte. Ltd. and Surface Stone Pte. Ltd. cater to demand for surfacing materials for use in construction and development projects. To date, these subsidiaries have supplied tiles and stone for use in a considerable number of quality commercial and residential development projects in Singapore.

Wood Culture Pte. Ltd. complements Hafary's businesses by offering wood flooring. To expand its presence in the building materials industry, Hafary started a joint venture, Melmer Stoneworks Pte. Ltd., specializing in the fabrication, polishing and profiling of stone and marble slabs for household and commercial purposes.

Investment in Vietnam associate, Viet Ceramics International, is Hafary's first foray into the overseas tile retailing market. Foshan Hafary Trading Co., Limited, Hafary's wholly owned export agent in China, provides opportunities for the Group to widen its procurement and business network. In line with its expansion plans, Hafary will continue to explore overseas opportunities.

Corporate headquarters and main showroom of Hafary is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836. Main warehouse of the group is located at 3 Changi North Street 1 Singapore 498824.

General

Retail customers may purchase our products directly from our three showrooms located at 105 Eunos Avenue 3 Singapore 409836, 560 Balestier Road Singapore 329876 and 18 Boon Lay Way #01-132 Tradehub 21 Singapore 609966. At our showrooms, customers can look forward to a wide variety of product displays, mock ups of living spaces and amicable service by our showroom sales team. 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

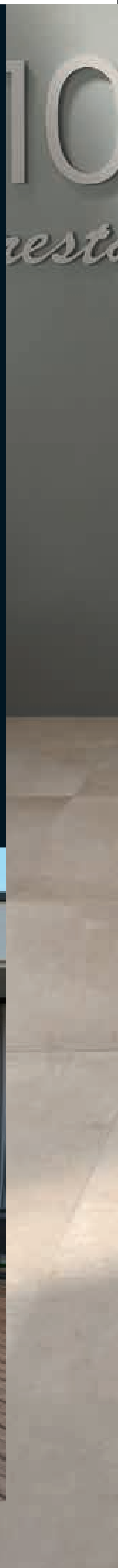
We also supply surfacing materials to customers who are involved in public and private property development projects in Singapore. These public sector projects include HDB upgrading, construction or upgrading of public buildings such as schools, hospitals, sport complexes and military camps. Property 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.

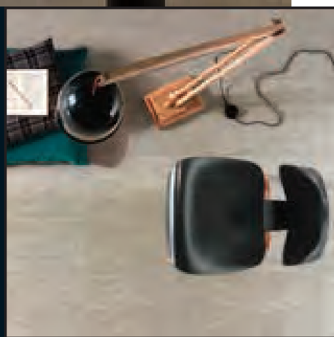
BRANDS WE CARRY

• 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



Tiles

Ceramic • Porcelain

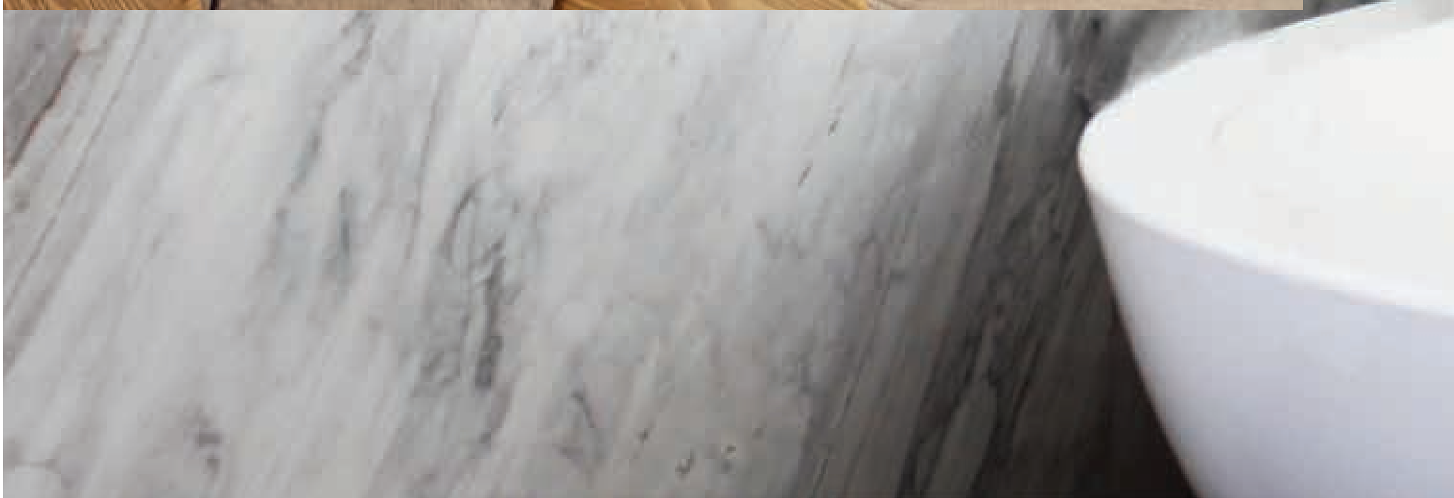


OUR PRODUCTS

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.

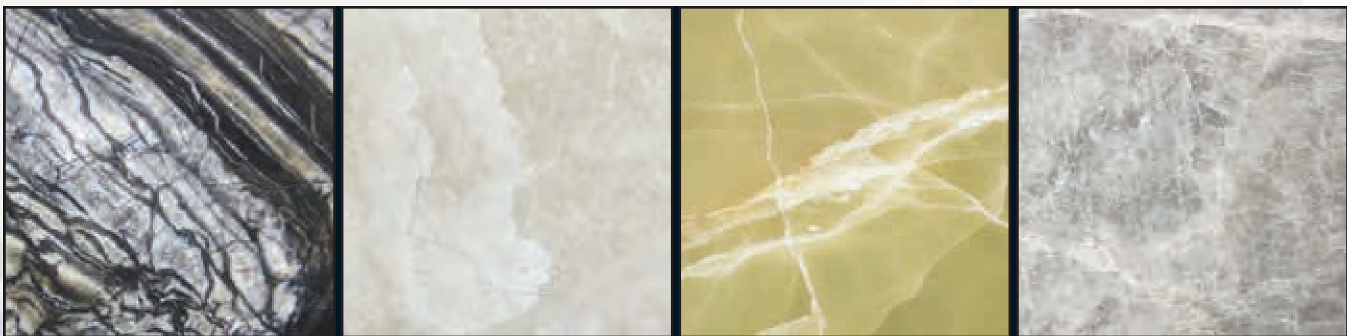
BRANDS WE CARRY

- Caesarstone
- Kalingastone
- Santa Margherita



Stone

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



OUR PRODUCTS

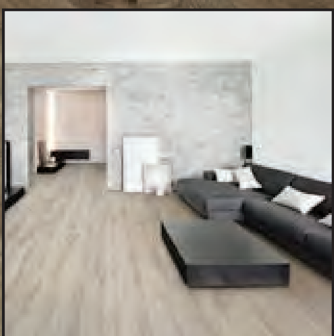
We stay ahead at the forefront of the latest wood flooring trends while sourcing timber from well-managed and regulated forests. As such, we are able to achieve the delicate balance between supply and demand, natural and sustainable as well as consumable and renewable.

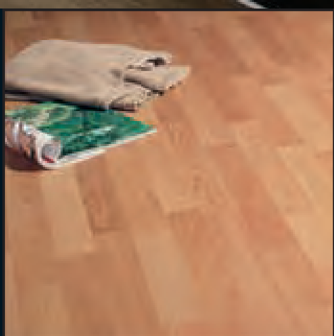
BRANDS WE CARRY

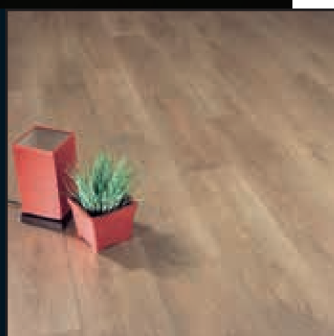
- BerryAlloc
- Wood Culture
- Endurai

Wood

Engineered Timber • Solid Hardwood • Laminates • Vinyl • Outdoor Decking





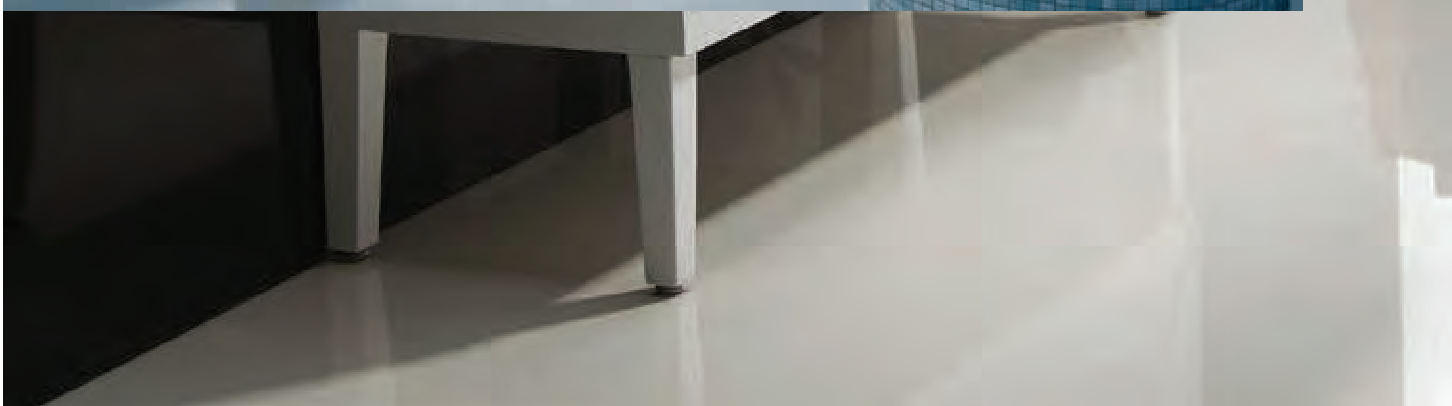


OUR PRODUCTS

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.

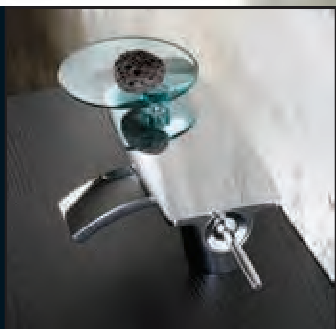
BRANDS WE CARRY

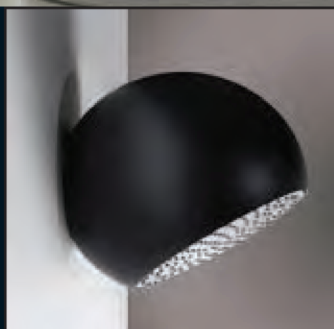
• FIMA | Carlo Frattini • ilife • Hansgrohe
• Innoci • Geberit • OXO • Pablo • Justime
• Star • Geesa • Scarabeo



Sanitary Ware & Fittings

Accessories • Basin • Bathtub • Faucet • Shower • Water Closet • Pools • Sinks





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 2014 ("FY2014").

Improved Group Revenue

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

Segmental Performance

Revenue from the General segment increased by S$2.7 million or 5.7% from S$47.7 million during FY2013 to S$50.4 million in FY2014. The Group's strategy to ramp-up sales and marketing efforts and widen its customer base, coupled with strong customer loyalty, have contributed to the increase in revenue for this segment. Accounting for 54.4% of Group revenue, this segment continued to be the leading revenue generator.

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

Net Profit

Profit before income tax decreased by $17.3 million or 61.6% from $28.0 million during FY2013 to S$10.7 million for FY2014. The higher profit before income tax for FY2013 was contributed largely by the recognition of a one-time gain on disposal of development property amounting to $22.7 million.

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

Proposed Final Dividend

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

" Throughout FY2014, Hafary continued to enhance its market presence by rejuvenating its showroom designs and expanding its showroom area to meet the increasing needs of its large and diverse base of customers. "

Corporate and Business Developments

Singapore Business

Growth in sales in FY2014 was largely driven by the higher volume of deliveries of building materials for use in Housing Development Board ("HDB") residential estate development projects. This is on the backdrop of a ramped-up supply of flats from year 2011 to 2013 by HDB which saw more than 77,000 BTO flats launched. During year 2014, the ramped-up building programme was shifted to a more sustainable phase with a target supply of 24,300 units of flats (2013: 25,139 units launched). With the expected reduction of BTO launches, the Group's Public Project Department will explore the possibility of delivering building materials for use in other categories of public projects, such as executive condominiums, public facilities and infrastructure, as well as home improvement and other upgrading programmes.

Throughout FY2014, Hafary continued to enhance its market presence by rejuvenating its showroom designs and expanding its showroom area to meet the increasing needs of its large and diverse base of customers. Apart from shifting its main showroom to its headquarters building at 105 Eunos Avenue 3, the Group has doubled the Balestier showroom space and refurbished it to better serve its customers. The Tradehub 21 showroom is experiencing increased customer traffic having completed its facelift in July 2014.

Joint venture, Melmer Stoneworks Pte Ltd ("MSPL"), which specialises in fabrication, polishing and profiling of stone and marble slabs for household and commercial purposes, continues to grow from strength to strength. MSPL contributed a profit of S$0.2 million to the Group's FY2014 results. Alteration and addition works at MSPL's operational premises are currently underway as the Group intends to improve MSPL's operational capabilities.

In FY2014, World Furnishing Hub Pte. Ltd. ("WFHPL"), a special-purpose vehicle held by the Company's wholly-owned subsidiary, Hafary Pte Ltd, two controlling shareholders, and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Sitra Holdings (International) Limited ("Sitra"), was granted extension of its lease of 18 Sungei Kadut Street 2 Singapore 729236. This leasehold land is located at the epicenter of the International Furniture Park ("IFP"), which Jurong Town Corporation plans to position as Southeast Asia's premier global marketplace for furniture and furniture-related industries. The Group plans to use commercial space of approximately 50,000 square feet to house amenities that would contribute to the life and vibrancy of the IFP. The collaboration between the Group and Sitra, via WFHPL, is a synergistic partnership that could extend to their operations as both parties stand to leverage on each other's strengths and business networks to expand their market presence, thus adding value to their business operations.

Overseas Investments

Vietnam

Since 2012, the Group has progressively expanded its regional footprint, particularly in markets such as Vietnam and the People's Republic of China ("PRC"). In FY2014, the Group's associate, Viet Ceramics International Joint Stock Company ("VCI"), a tile retailing company in Vietnam, contributed profits amounting to S$0.6 million to the Group. The improved contribution from VCI is attributed to the improved economic climate of Vietnam since year 2013 and rewards reaped from its Outdoor Sales Department, whose customer base includes homeowners as well as renovation and architectural firms.

During FY2014, VCI opened a new showroom in Hanoi to serve the increasing number of middle and high income earners in the province. The main showroom at Ho Chi Minh was also refurbished to display a wider variety of tiles and mocked-up spaces to cater to the needs of its customers.

China

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

In May 2014, FHT acquired a warehouse premise at Gaoming of Foshan, Guangzhou. The Group plans to house its project inventories in China where storage costs are lower, before delivery to other markets, including Singapore, wherein scarce warehousing resources can then be better utilised. The warehouse is located in close proximity with Gaoming Port which facilitates the shipping of inventories within short notice to Singapore and other Asian locations. In addition, the Gaoming District Government has plans to relocate Xingang Port, Foshan's busiest port, to the shoreline about one kilometre from the warehouse premise. Unutilised space in the warehouse premise will be leased for rental income.

Positioning for Future Growth

Notwithstanding the tepid local property market as a result of the Government's property cooling measures and Total Debt Servicing Ratio framework introduced by the MAS, new construction demand continues to present the Hafary Group with significant opportunity to grow its business in Singapore. In addition, it will also continue to cultivate and develop its overseas operations and its expansion strategy through acquisitions, joint ventures or strategic alliances with synergistic partners.

Acknowledgements

I wish to record my sincere gratitude to all the stakeholders for their unyielding support to Hafary Group. In particular, my appreciation goes to my fellow Directors for their counsel and guidance; to all our customers, associates and shareholders for their loyal support; and to the management and employees for their hard work and contribution. In FY2015, we aim to build on our strong foundation to improve our market share and be alert to take on opportunities that may arise from the markets that Hafary operates in.

Low Kok Ann
Executive Chairman & CEO

BOARD OF DIRECTORS

Low Kok Ann
Executive Chairman and
Chief Executive Officer

Low See Ching
Non-Executive Director

Mr Low Kok Ann was appointed as Executive Director and Executive Chairman of our Company on 6 October 2009. He 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. He was appointed as Chief Executive Officer ("CEO") of our Company on 1 February 2014. As the Executive Chairman and CEO, his primary responsibility is to formulate and oversee the corporate and strategic development and overall management and operations of our Group. 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.

Other present directorship: NIL

Past directorship in preceding three years: NIL

Mr Low See Ching was appointed as Executive Director of our Company on 6 October 2009. 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. As the CEO, he was responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies. On 31 January 2014, Mr Low relinquished his role of CEO and was re-designated as Non-Executive Director of our Company. Mr Low graduated with a Bachelor of Accountancy Degree from Nanyang Technological University, Singapore in 1999. He was re-elected as Director of the Company on 25 October 2013.

Other present directorship:
Oxley Holdings Limited
HG Metal Manufacturing Limited

Past directorship in preceding three years: NIL

Terrance Tan Kong Hwa
Independent Director

Ong Beng Chye
Lead Independent Director

Chow Wen Kwan Marcus
Independent Director

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 serving as an Independent Director of other listed companies in Singapore. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising Chartered Accountant (Singapore).

Other present directorship:
Heatec Jietong Holdings Ltd.
Kitchen Culture Holdings Ltd.
Geo Energy Resources Limited
IPS Securex Holdings Limited

Past directorship in preceding three years: NIL

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.

Other present directorship:
Teho International Inc Ltd.

Past directorship in preceding three years:
Consciencefood Holding Limited

Mr Chow Wen Kwan Marcus was appointed as an Independent Director of our Company on 10 November 2009 and was re-elected on 25 October 2013. He graduated with an 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 a member of the Law Society of Singapore and Singapore Academy of Law and is an Attorney at Law, New York, USA.

Other present directorship:
Ley Choon Group Holdings Limited
SMJ International Holdings Ltd.
Versalink Holdings Limited

Past directorship in preceding three years:
Weiye Holdings Limited
Zhongxin Fruit and Juice Limited

KEY EXECUTIVES

Front Row from Left:
Tay Eng Kiat Jackson, Chan Yang Ling, Neo Siew Siew Dorothy, Yue Lian Kim, Low See Ching, Low Kok Ann, Yong Wee Teng, Tay Chye Heng Stephen, Lim Teck Leong, Mike Koh Yew Seng

Back Row from Left:
Wu Peicong, Goh Keng Boon Frank, Goh Keng Meng, Cheong Ching Hing

Tay Eng Kiat Jackson
Financial Controller, Hafary Holdings Limited

Mr Tay joined our Group in 2009. He oversees the finance and corporate functions of our Group, including treasury, corporate secretarial duties and investor relations. Mr Tay has more than 10 years of experience in Accounts and Finance functions of various entities in the public and private sector. He graduated with a Bachelor of Accountancy Degree (Minor in Marketing) from Nanyang Technological University, Singapore in 2002. He is a non-practising Chartered Accountant (Singapore).

Mike Koh Yew Seng
General Manager, Hafary Holdings Limited

Mr Koh joined our Group in 2008. His responsibilities include overseeing our warehouse and logistics operations and assisting the CEO with procurement administration. He also facilitates operational coordination between the Group's Singapore and overseas entities. Mr Koh has more than 15 years of experience in the tile industry. He attained his General Certificate of Education 'O' Levels in 1977.

Goh Keng Boon Frank
Project Director, Surface Project Pte Ltd

Mr Goh joined our Group in 2004. He heads the Project Sales and Marketing team of a key subsidiary involved in private sector project sales 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.

Cheong Ching Hing
Business Development Director / HR Manager, Hafary Holdings Limited

Mr Cheong joined our Group in 2010. He oversees the Marketing and Human Resources function and plays active role in developing various business divisions. Mr Cheong has more than 10 years of experience in the tile industry. He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic in 1991 and has a Diploma in Salesmanship from Managing & Marketing Sales Association (UK).

Tay Chye Heng Stephen
Public Project Director, Hafary Pte Ltd

Mr Tay joined our Group in 2011 to set up and lead the Public Project Department specialising in the supply of building materials for use in Housing Development Board ("HDB") flats and government buildings. Mr Tay has more than 30 years of experience and held various key positions in his past employments in the tile industry. He attained his General Certificate of Education 'O' Levels in 1974.

Goh Keng Meng
Project Director, Surface Project Pte. Ltd. (SPPL)

Mr Goh joined our Group in 2004 to assist in the setting up of SPPL, a key subsidiary involved in private sector project sales and has been instrumental in growing SPPL into one of the preferred building materials supplier for construction companies and property developers. He has more than 10 years of experience in the tile industry.

Lim Teck Leong
Sales Director, Surface Stone Pte. Ltd.

Mr Lim was roped in to set up the Group's stone division in 2009. He started out in the building materials industry in 1997 as Sales Executive. Before joining the Group, he was a Sales Manager specialising in sales and procurement of marble and granite. Mr Lim graduated with a Diploma in Sales and Marketing from Marketing Institute of Singapore in 1990.

Wu Peicong
Finance Manager, Hafary Holdings Limited

Mr Wu joined our Group in 2011. He oversees the Group's finance and corporate functions including financial reporting, tax and internal controls. Before joining the Group, he was an Audit Manager of a mid-tier audit firm. He is a fellow member of the Association of Chartered Certified Accountants and a non-practising Chartered Accountant (Singapore).

Yue Lian Kim
Senior Retail Manager, Hafary Pte Ltd

Ms Yue heads the Balestier Showroom sales team since 2006. She joined Hafary Pte Ltd in 1997 as Sales Executive and has risen through a series of promotions to a managerial level. At Hafary, she also supports the CEO with procurement of tiles from the Southeast Asia region. Ms Yue has more than 20 years of experience in the tile industry.

Neo Siew Siew, Dorothy
Senior Retail Manager, Hafary Pte Ltd

Ms Neo heads the Eunos Showroom sales team. She joined Hafary Pte Ltd in 2005 as Sales Manager to set up the main showroom at Defu (shifted to Eunos in 2013) and has been passionate in directing her team to better sales performance and customer relations. In 2010, she was promoted to Senior Retail Manager. Ms Neo has more than 14 years of experience in the tile industry.

Yong Wee Teng
Assistant HR Manager, Hafary Holdings Limited

Ms Yong joined the Group in 1997 as Executive in charge of the accounts of main subsidiary, Hafary Pte Ltd. Since 2011, she serves as Assistant Human Resources Manager of the Group. Ms Yong also assist in the treasury function, including settlement of trade financing transactions. She graduated with a Diploma in Management Accounting and Finance from PSB Academy in 2007.

Chan Yang Ling
Director, Melmer Stoneworks Pte. Ltd. (MSPL)

Mr Chan started out in the construction materials trade as Sales Executive in 1997. Over his career, he accumulated vast knowledge and experience in the processing and installation of marble, granite and quartz. In 2012, Hafary Pte Ltd and Mr Chan jointly set up MSPL specialising in stone and tile fabrication. Under his helm, MSPL has grown strength to strength to become a consistent profit contributor for the Group.

FINANCIAL HIGHLIGHTS

For the Year	FY2014 $'000	FY2013 $'000	FY2012 $'000	FY2011 $'000	FY2010 $'000
Revenue - General	50,388	47,664	40,757	37,732	27,219
Revenue - Project	41,283	35,446	22,241	22,590	11,078
Revenue - Others	1,074	227	75	32	57
Total Revenue	92,745	83,337	63,073	60,354	38,354
Revenue - General (% of total revenue)	54.3%	57.2%	64.6%	62.5%	71.0%
Revenue - Project (% of total revenue)	44.5%	42.5%	35.3%	37.4%	28.9%
Earnings before interest, income taxes and depreciation (EBITDA)	15,192	30,642	8,068	10,478	5,230
EBITDA margin (%)	16.4%	36.8%	12.8%	17.4%	13.6%
Finance cost (i.e. Interest expense)	1,784	1,207	1,079	653	445
Profit before income tax	10,747	28,012	6,038	9,081	4,248
Profit before income tax margin (%)	11.6%	33.6%	9.6%	15.0%	11.1%
Net Profit	8,720	22,882	5,070	7,501	3,258
Net Profit margin (%)	9.4%	27.5%	8.0%	12.4%	8.5%
Profit after income taxes and non-controlling interest (PATNCI)	8,048	22,328	4,547	6,873	3,061
PATNCI margin (%)	8.7%	26.8%	7.2%	11.4%	8.0%

At Year End	FY2014 $'000	FY2013 $'000	FY2012 $'000	FY2011 $'000	FY2010 $'000
Non-current assets	77,031	55,145	37,465	29,965	4,193
Current assets	77,303	80,842	86,367	43,080	33,881
Total assets	154,334	135,987	123,832	73,045	38,074
Non-current liabilities	37,390	17,619	19,315	20,346	1,559
Current liabilities	76,660	71,617	71,512	27,513	18,080
Total liabilities	114,050	89,236	90,827	47,859	19,639
Total debt	91,642	64,566	56,532	38,735	12,933
Cash and cash equivalents	4,857	9,583	4,984	3,273	5,473
Net debt	86,785	54,983	51,548	35,462	7,460
Shareholders' equity	37,649	44,676	31,304	23,798	17,569
Total equity	40,284	46,751	33,005	25,186	18,435
Number of ordinary shares ('000)	429,000	429,000	194,500	162,500	162,500
Weighted average number of ordinary shares ('000) (Basic and fully diluted)	429,000	402,479	363,295	162,500	148,958
Share price at year end (cents)	17.8	19.1	23.5	19.5	17.5
Market capitalisation as at 30 June	76,362	81,939	45,708	31,688	28,438

Financial Ratios	FY2014	FY2013	FY2012	FY2011	FY2010
Profitability					
Revenue growth (%)	11.3%	32.1%	4.5%	57.4%	24.6%
PATNCI growth (%)	(64.0%)	391.0%	(33.8%)	124.5%	0.7%
Return on assets (%) (PATNCI/ Total assets)	5.2%	16.4%	3.7%	9.4%	8.0%
Return on equity (%) (PATNCI/ Average shareholders' equity)	19.6%	58.8%	16.5%	33.2%	23.7%
Liquidity					
Current ratio (times)	1.0	1.1	1.2	1.6	1.9
Cash as per share (cents)	1.1	2.2	2.6	2.0	3.4
Net assets per share (cents)	8.8	10.4	16.1	14.6	10.8
Leverage					
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	2.3	1.2	1.6	1.5	0.4
Interest cover (times) (EBITDA/ Finance cost)	8.5	25.4	7.5	16.0	11.8
Investors' Ratio					
Earnings per share (cents) (Basic and fully diluted)	1.9	5.6	1.3	4.2	2.1
Gross dividend per share (cents) - Interim	1.0	4.0	1.0	-	-
Gross dividend per share (cents) - Final	0.3	2.5	1.5	0.9	0.4
Total gross dividend per share (cents) (DPS)	1.3	6.5	2.5	0.9	0.4
Gross dividend yield (%) based on year end share price	7.3%	34.0%	10.6%	4.6%	2.3%
Gross dividend payout (%) (Gross dividend/ Profit after tax attributable to shareholders)	69.3%	100.9%	106.9%	21.3%	21.2%

FINANCIAL REVIEW

Statement of Comprehensive Income	FY2014 $'000	FY2013 $'000	Change $'000	Change %
Revenue	92,745	83,337	9,408	11.3
Other Items of Income				
Interest Income	23	-	23	N.M
Other Credits	1,647	24,092	(22,445)	N.M
Other Items of Expense				
Changes in Inventories of Finished Goods	6,437	5,184	1,253	24.2
Purchases and Related Expenses	(63,888)	(54,757)	(9,131)	16.7
Employee Benefits Expenses	(12,923)	(13,093)	170	(1.3)
Depreciation Expense	(2,661)	(1,423)	(1,238)	87.0
Impairment Losses	(344)	(4,728)	4,384	N.M
Other Charges	(605)	(335)	(270)	N.M
Finance Costs	(1,784)	(1,207)	(577)	47.8
Other Expenses	(8,733)	(7,315)	(1,418)	19.4
Share of Profit (Loss) from Equity-Accounted Associates	635	(1,833)	2,468	N.M
Share of Profit from an Equity-Accounted Joint Venture	198	90	108	N.M
Profit Before Income Tax from Continuing Operations	**10,747**	**28,012**	**(17,265)**	(61.6)
Income Tax Expense	(2,027)	(5,130)	3,103	(60.5)
Profit from Continuing Operations, Net of Tax	**8,720**	**22,882**	**(14,162)**	**(61.9)**
Other Comprehensive Income, Net of Tax	–	–	–	–
Profit, Net of Tax and Total Comprehensive Income for the Year	**8,720**	**22,882**	**(14,162)**	**(61.9)**
Profit, Net of Tax and Total Comprehensive Income Attributable to:				
- Owners of the Parent	8,048	22,328	(14,280)	(64.0)
- Non-Controlling Interests	672	554	118	21.3
	8,720	**22,882**	**(14,162)**	(61.9)

Revenue

The Group reported revenue of S$92.7 million in FY2014 compared to S$83.3 million in FY2013.

Revenue from the general segment increased by S$2.7 million or 5.7% from S$47.7 million during FY2013 to S$50.4 million during FY2014. Decrease in residential unit resale transactions after a series of property market cooling measures during FY2014 resulted in general sales volume to only increase slightly in FY2014.

Revenue from the project segment increased by S$5.8 million or 16.5% from S$35.4 million during FY2013 to S$41.3 million during FY2014. The increase in project sales is largely driven by the higher volume of deliveries of tiles for use in Housing Development Board ("HDB") residential estate development projects.

Cost of Sales

Cost of sales increased by S$7.9 million or 15.9% from S$49.6 million during FY2013 to S$57.5 million during FY2014. The gross profit margin of 37.3% for FY2014 was lower than 40.3% for FY2013. The decrease was due to the higher proportion of project sales, where margins are more competitive, undertaken during FY2014.

Other Credits

The decrease in other credits by S$22.4 million from S$24.1 million during FY2013 to S$1.7 million during FY2014. Other credits was higher in FY2013 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) amounting to S$23.8 million.

Employee Benefits Expenses
The decrease in employee benefits expenses by S$0.2 million or 1.3% from S$13.1 million during FY2013 to S$12.9 million during FY2014 was due to lower allowance for directors' performance bonus made for FY2014. Higher directors' performance bonus made for FY2013 as a result of better financial performance mainly attributable to a one-time gain on sale of development property at 82 Lorong 23 Geylang.

Depreciation Expense
Depreciation expense increased by S$1.2 million or 87.0% from S$1.4 million during FY2013 to S$2.6 million during FY2014. The increase was mainly due to commencement of depreciation for the refurbished marble processing facility at 18C Sungei Kadut Street 4 Singapore 729066 and leasehold properties at 3 Changi North Street 1 Singapore 498824 and 105 Eunos Avenue 3 Singapore 409836.

Impairment Losses
Impairment losses decreased by S$4.4 million from S$4.7 million during FY2013 to S$0.3 million during FY2014. Impairment losses were high during FY2013 mainly due to impairment allowance on investment in an associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), amounting to S$4.0 million.

In February 2014, the Group sold its entire shareholding in wholly-owned subsidiary, Hafary China Pte. Ltd., which holds a 45% equity stake in HCCM at a consideration of RMB5.0 million (equivalent to S$1.0 million). The investment in HCCM was fully impaired during FY2013. Gain on disposal of the subsidiary of S$1.0 million was recognised under 'Other Credits'.

Other Charges
Other charges incurred during FY2014 comprised of losses on disposal of plant and equipment amounting to S$0.3 million and losses on derivative financial instruments amounting to S$0.3 million.

Finance Costs
Finance costs increased by S$0.6 million or 47.8% from S$1.2 million in FY2013 to S$1.8 million in FY2014. The increase was mainly attributable to interest expense on bank loans relating to acquisition and development of 105 Eunos Avenue 3 and 3 Changi North Street 1. Finance costs for the above loans were capitalised in property, plant and equipment before development of these premises were completed.

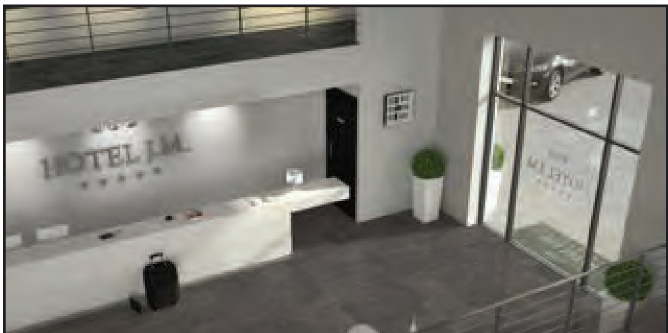
Other Expenses
Other expenses increased by S$1.4 million or 19.4% from S$7.3 million during FY2013 to S$8.7 million during FY2014. The increase was mainly attributable to increase in hire of motor vehicles and machinery, upkeep, repair and maintenance costs, casual labour, utilities and travelling expenses, inventorised assets for new premises, advertising and promotions, entertainment and other selling expenses, land rental and property tax of certain leasehold properties. The above increase was partially offset by decrease in rental expenses.

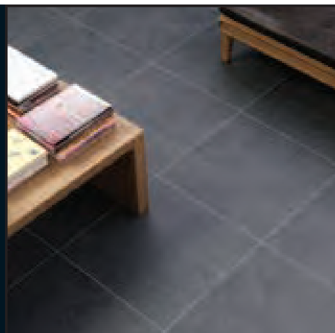
Share of Profit from Equity-Accounted Associate and Joint Venture
These relate to share of profit from associate, Viet Ceramics International Joint Stock Company ("VCI"), and from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL").

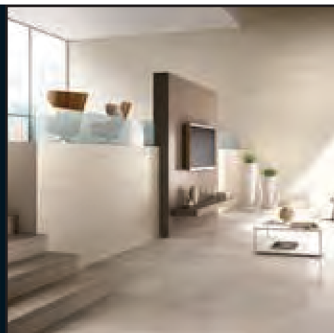
Profit Before Income Tax
The high profit before income tax for FY2013 was contributed largely by recognition of a one-time gain on disposal of development property (net of impact on directors' performance bonus) amounting to S$22.7 million. The Group also recognised net share of losses from associates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

Excluding the effects of the above items and fair value gain on investment in listed shares, profit before income tax generated from recurring activities was S$8.7 million for FY2014 and S$11.0 million for FY2013. The decrease was mainly due to the lower gross profit margin derived during FY2014 and commencement of depreciation of leasehold properties after development of these premises were completed.

Income Tax Expense
The effective tax rate (excluding share of profit or loss from equity-accounted associates and joint venture company) for FY2014 was 20.4% (FY2013: 15.2%).







FINANCIAL REVIEW

Statement of Financial Position	FY2014 $'000	FY2013 $'000	Change $'000	Change %
Non-Current Assets:				
Property, Plant and Equipment	67,239	52,124	15,115	29.0
Investments in Associates	3,496	2,861	635	22.2
Investments in Joint Ventures	278	160	118	73.8
Others	6,018	-	6,018	100.0
Current Assets:				
Inventories	41,356	35,054	6,302	18.0
Trade and Other Receivables	26,820	29,969	(3,149)	(10.5)
Others	9,127	15,819	(6,692)	(42.3)
Total Assets	**154,334**	**135,987**	**18,347**	**13.5**
Equity:				
Equity, Attributable to Owners of the Parent	37,649	44,676	(7,027)	(15.7)
Non-Controlling Interests	2,635	2,075	560	27.0
Total Equity	**40,284**	**46,751**	**(6,467)**	**(13.8)**
Non-Current Liabilities:				
Other Financial Liabilities	36,941	17,380	19,561	112.5
Others	449	239	210	87.9
Current Liabilities:				
Other Financial Liabilities	54,701	47,186	7,515	15.9
Trade and Other Payables	14,944	18,183	(3,239)	(17.8)
Others	7,015	6,248	767	12.3
Total Liabilities	**114,050**	**89,236**	**24,814**	**27.8**
Total Equity and Liabilities	**154,334**	**135,987**	**18,347**	**13.5**

Non-Current Assets

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

Property, plant and equipment increased by S$15.1 million or 29.0% from S$52.1 million as at 30 June 2013 to S$67.2 million as at 30 June 2014. The increase was due to acquisition and set-up costs of a warehouse premise in Foshan, China amounting to S$5.3 million, acquisition costs of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 amounting to S$9.1 million, renovation and air-conditioners for new corporate headquarters and main showroom at 105 Eunos Avenue 3 and the refurbished showroom at Balestier amounting to S$1.7 million, construction of a 2-storey ancillary warehouse at 18C Sungei Kadut Street 4 amounting to S$1.4 million, motor vehicles and forklifts amounting to S$0.3 million , plant and equipment amounting to S$0.3 million. The above increase was partially offset by depreciation expense amounting to S$2.6 million and plant and equipment written off amounting to S$0.4 million.

The increase in investments in associates and joint venture was due to recognition of share of profit from VCI and MSPL during FY2014.

Other non-current assets as at 30 June 2014 pertains to land use right in Foshan, China, where warehouse premise is located, acquired in April 2014 and investment in listed shares of SMJ International Holdings Ltd.

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

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

The decrease in trade and other receivables was mainly due to decrease in receivables from purchasers of development property at 82 Lorong 23 Geylang (30 June 2013: S$6.5 million). As at 30 June 2014, the amount was fully received. The above decrease was partially offset by S$1.4 million increase in trade receivables and S$0.7 million increase in other receivables. The increase in trade receivables was in line with the revenue growth in FY2014. Trade receivables turnover of 93 days as at 30 June 2014 was comparable to 90 days as at 30 June 2013. In March 2014, the Group grant its associate, VCI, a loan amounting to US$1.0 million (equivalent to S$1.3 million) with interest of 4.5% per annum (FY2013: NIL).

Other assets decreased by S$1.8 million from S$6.0 million as at 30 June 2013 to S$4.3 million as at 30 June 2014. This was mainly due to decrease in advance payment to suppliers by S$1.2 million, decrease in non-refundable deposits by S$0.6 million. Non-refundable deposits as at 30 June 2013 comprised deposits amounting to S$0.6 million paid for renovation of corporate headquarters and main showroom at 105 Eunos Avenue 3. These deposits were reversed to 'Property, Plant and Equipment' after the renovation services were completed as at 30 June 2014.

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

Shareholders' Equity
Shareholders' equity, comprising share capital and retained earnings, decreased by S$7.0 million. The decrease was mainly attributable to dividend payments to shareholders amounting to S$15.0 million which was partially offset by net profit attributable to shareholders amounting to S$8.0 million.

Non-Current Liabilities
Non-current liabilities increased by S$19.8 million or 112.2% from S$17.6 million as at 30 June 2013 to S$37.4 million as at 30 June 2014 mainly due to net drawdowns of bank loans during FY2014.

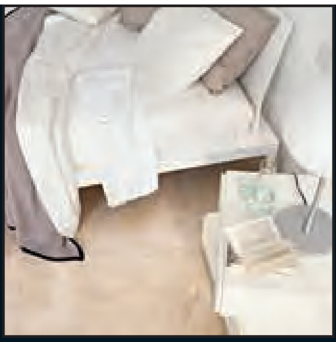
Current Liabilities
Current liabilities increased by S$5.0 million or 7.0% from S$71.6 million as at 30 June 2013 to S$76.6 million as at 30 June 2014.

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

The decrease in trade and other payables was mainly due to the payment of interim dividend (declared in May 2013) amounting to S$6.4 million in July 2013 and decrease in retention sums pertaining to development of 3 Changi North Street 1 and 105 Eunos Avenue 3 by S$0.8 million. These decreases were partially offset by increase in trade and other payables (including accrued liabilities) by S$2.5 million, advances from substantial shareholders of the Company to subsidiary, World Furnishing Hub Pte. Ltd., amounting to S$1.3 million to finance the acquisition and development of 18 Sungei Kadut Street 2, rental deposits received from tenants of excess space in 105 Eunos Avenue 3 amounting to S$0.2 million (30 June 2013: NIL).

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

Other financial liabilities (current) increased by S$7.5 million due to net drawdowns of bank loans during FY2014.



FINANCIAL REVIEW

Leasehold properties held by the Group	105 Eunos Avenue 3, Singapore 409836	3 Changi North Street 1, Singapore 498824	54/56 Sungei Loop, Singapore 729477	18C Sungei Kadut Street 4, Singapore 729066	18 Sungei Kadut Street 2, Singapore 729236	North Fang Xun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangzhou, China
Description	6-storey light industrial building	2-storey purpose-built detached warehouse	1-storey warehouse premise	Warehousing premise and 2-storey ancillary building	Three single-storey ancillary buildings with a 3-storey office/ showroom building with a roof level	Warehouse premise and 5-storey dormitory
Purpose	Portion of space used as corporate headquarters and main showroom	Main warehouse (Tiles)	Warehouse (Tiles and Stone)	Marble processing facility	To be redeveloped into a 7-storey industrial building of gross floor area of 320,000 square feet	Warehouse
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	Expiring 30 September 2043	Expiring 30 December 2050
Area ('000 square feet) **- Land** **- Gross floor or net lettable area**	 54 132	 113 151	 105 62	 56 27	 107 56	 441 287
Property purchase price ($'000)	9,800	10,000	2,502	1,430	8,650	10,012
Development and directly attributable costs ($'000)	11,703	13,787	-	1,790	524	-
Book value as at 30 June 2014 ($'000)	20,682	23,097	1,631	2,883	9,174	9,970
Open market valuation ($'000)	50,000	29,000	6,500	3,300	Not meaningful as property is to be redeveloped	9,938

Subsequent Developments

There are no significant developments subsequent to the release of the Group's and Company's preliminary financial statements, as announced on 27 August 2014, which would materially affect the Group's and the Company's operating and financial performance for the reporting year ended 30 June 2014 as at date of this report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Low Kok Ann	Executive Chairman and CEO
Low See Ching	Non-Executive Director
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
Hafary Centre
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

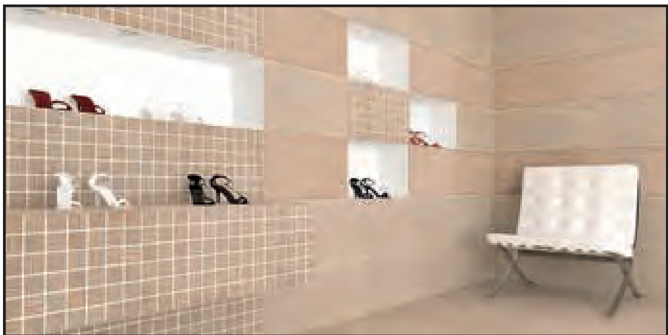
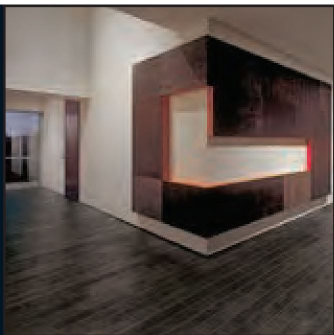
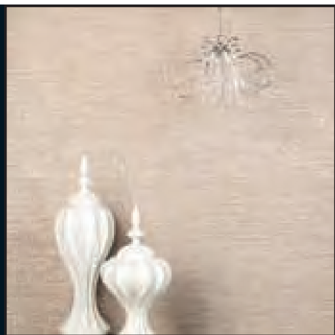
Australia and New Zealand Banking Group Ltd
10 Collyer Quay
#30-00, Ocean Financial Centre,
Singapore 049315

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

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

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 1
Singapore 048624

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
- 100% **Wood Culture Pte. Ltd.** — UEN: 201007442H
- 100% **Hafary Centre Pte. Ltd.** — UEN: 201026113W
- 100% **Marble Trends Pte. Ltd.** (f.k.a. Mediterranean Trends Pte. Ltd.) — UEN: 201309646E
- 46% (Subsidiary) **World Furnishing Hub Pte. Ltd.** — UEN: 201317854K
- 100% **Hafary Vietnam Pte. Ltd.** — UEN: 201120831H
  - 49% (Associate - Vietnam) **Viet Ceramics International Joint Stock Company** — Business Registration Certificate No.: 0311028311
- 50% (Joint Venture) **Melmer Stoneworks Pte. Ltd.** — UEN: 201216143E
- 100% **Hafary International Pte. Ltd.** — UEN: 201305688M
  - 100% (Subsidiary - People's Republic of China) **Foshan Hafary Trading Co., Limited** — Registration No.: 440600400022964

Overseas

- 49% (Associate - Vietnam) **Viet Ceramics International Joint Stock Company** — Business Registration Certificate 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 Code of Corporate Governance 2012 (the "**Code**").

▶ **Guideline 1 of the Code: THE BOARD'S CONDUCT OF AFFAIRS**

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

▶ Guideline 1.1 of the Code: Role of the Board

The Board is made up of the following members:

Mr Low Kok Ann	Executive Chairman and Chief Executive Officer ("CEO") (Appointed as Executive Chairman on 10 November 2009 and as CEO with effect from 1 February 2014)
Mr Low See Ching	Non-Executive Director (Relinquished the role of CEO on 31 January 2014 and re-designated as Non-Executive Director with effect from 1 February 2014)
Mr Ong Beng Chye	Lead Independent Director
Mr Terrance Tan Kong Hwa	Independent Director
Mr Chow Wen Kwan Marcus	Independent Director

The principal duties of the Board, apart from its statutory responsibilities, are:

- Providing entrepreneurial leadership, set strategic direction and overall corporate policies (including ethical standards) of the Group;
- Overseeing the business and affairs of the Group, establishing the strategies and financial objectives to be implemented by the management and monitoring the performance of the management;
- Ensuring the adequacy of internal controls, risk management processes and financial reporting and compliance;
- Monitoring financial performance, including approval of the full year and half year financial reports of the Group;
- Approving corporate actions, major investment and funding decisions of the Group; and
- Identifying key stakeholders and balancing the demands of the business with those of the key stakeholders and ensuring that obligations to key stakeholders (including shareholders) are met.

▶ Guideline 1.2 of the Code: Directors to discharge duties and responsibilities in the interests of the Company

More than half of the Board is made up of non-executive directors who are independent of the management and have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively. All directors are expected, in the course of carrying out their duties, to act in good faith, provide insights and consider the interests of the Group.

The Board oversees the management of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the executive directors and the management.

While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act, Chapter 50 and the Singapore Financial Reporting Standards.

▶ Guideline 1.3 of the Code: Disclosure on the delegation of authority by the Board

Board committees, namely Audit Committee (AC), Nominating Committee (NC) and Remuneration Committee (RC) have been constituted to assist the Board in the discharge of specific responsibilities. These Committees review or make recommendations to the Board on matters within their specific terms of reference.

CORPORATE GOVERNANCE STATEMENT

Board meetings shall be conducted on a half yearly basis (and quarterly basis with effect from the financial year ending 30 June 2015) and ad-hoc meetings are held whenever the Board's guidance or approval is required. Dates of Board, Board committees and annual general meetings are scheduled in advance in consultation with the directors to assist them in planning their attendance. A director who is unable to attend a Board meeting in person can still participate in the meeting via telephone conference, video conference or other similar communication. Board meeting can be conducted by instantaneous telecommunication device under the Company's Article of Association.

▶ Guideline 1.4 of the Code: Board to meet regularly

The attendance of the directors at scheduled meetings of the Board and Board Committees during the financial year ended 30 June 2014 is as follows:-

		Board Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Number of scheduled meetings held	2	2	1	1
Name of directors				
Mr Low Kok Ann	2	2*	1*	1*
Mr Low See Ching	2	2*	1*	1*
Mr Ong Beng Chye	2	2	1	1
Mr Terrance Tan Kong Hwa	2	2	1	1
Mr Chow Wen Kwan Marcus	2	2	1	1

* *Attended by invitation*

Important matters concerning the Group can also put to the Board and Board committees for its decision by way of written resolutions.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Matters which are specifically reserved to the Board for approval are:

▶ Guideline 1.5 of the Code: Matters requiring Board's approval

a. Appointment of Board members and senior management staff
b. Major investments decisions, including new investments and increase in investment in businesses and subsidiaries
c. Any divestments by any of the Group's companies
d. Major funding decisions, including share issuances
e. Interim and final dividends and other returns to shareholders
f. All commitments to borrowing facilities from banks and financial institutions by the Company
g. Interested person transactions
h. Acquisitions and disposal of assets exceeding S$550,000 in cost
i. Expenditures exceeding S$550,000

For expenditures of S$550,000 and below, the Group has internal guidelines which set out, among others, the authorisation limits granted to management for approval of capital and operating expenditures.

The directors are informed via electronic mails and briefed 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.

▶ Guideline 1.6 of the Code: Regular and appropriate trainings for directors

Briefings and updates provided for directors in FY2014:
– At every AC meeting, the external auditors briefed the AC members on developments in financial reporting standards.
– The CEO updates the Board at each Board meeting on business and strategic developments of the Company, developments in the tile industry and the relevant social and economic environment which the Company operates in.

CORPORATE GOVERNANCE STATEMENT

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. Orientation includes visits to the Group's key premises to familiarise themselves with the Company's operations. Such visit also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

▶ Guideline 1.7 of the Code: Formal letter of appointment to directors setting out their duties and responsibilities

Executive Directors are appointed to the Board by way of service agreement setting out the scope of their duties and obligations.

The Company will provide formal letter setting out duties and obligations and appropriate training to newly appointed directors to ensure that they are fully aware of their responsibilities and obligations of directors.

▶ **Guideline 2 of the Code: BOARD COMPOSITION AND GUIDANCE**

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 and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

▶ Guidelines 2.1 and 2.2 of the Code: Strong and independent element on the Board

The Executive Chairman and CEO, Mr Low Kok Ann, is the father of the Non-Executive Director, Mr Low See Ching. The Executive Chairman is part of the management team and is not an independent director.

In spite of this, there is a strong independent element on the Board, with independent directors constituting more than half of the Board. Currently, the Board consists of five directors of whom three are independent.

▶ Guidelines 2.3 and 2.4 of the Code: Independence of directors

The criterion for independence is based on the definition given in the Code. According to the "Code", an "independent" director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

The independent directors are first appointed on 10 November 2009. Each independent director is required to complete a confirmation of independence, drawn up according to the guidelines stated in the Code, to confirm his independence. He shall disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgement. The independence of each director is reviewed annually by NC. Based on the annual review of the independence of the independent directors according to the guidelines stated in the Code, the NC ascertained that all independent directors are independent.

None of the independent directors have served on the Board beyond nine years from the date of his first appointment.

▶ Guideline 2.5 of the Code: Composition and size of the Board

The Board has examined its size and is of the view that it is an appropriate size for efficient and effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

▶ Guideline 2.6 of the Code: Diversity of skills and core competencies of the Board and Board committees

The Company has a good balance of directors with a wide range of skills, experience and qualities in the fields of operations, management, financial, legal and accounting.

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. Each director brings valuable insights from different perspectives, such as strategic planning, management, finance, accounting and legal, vital to the strategic interests of the Company. Profiles of the directors are found in the "Board of Directors" section of the Annual Report. 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.

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The independent directors provide advice on strategic matters and review the performance of management in meeting agreed financial and non-financial targets and monitor reporting of performance.

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. Where necessary, the Company co-ordinates informal meeting sessions for Independent Directors to meet without the presence of the management.

▶ Guidelines 2.7 and 2.8 of the Code:
Role of non-executive directors and non-executive directors to meet regularly

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

▶ **Guideline 3 of the Code: CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr Low Kok Ann is the Executive Chairman and CEO of the Company. The Company has not created a separate CEO position as the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Board is of the view that with the establishment of the three Board Committees and that independent directors form more than half of the composition of the Board, there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

▶ Guideline 3.1 of the Code:
Chairman and CEO should be separate persons

As the Executive Chairman, Mr Low Kok Ann**,** formulates and oversees the corporate and strategic development of the Group. He ensures that corporate information is adequately and timely disseminated to all directors to facilitate effective contribution of all directors. He promotes a culture of openness and debate at the Board and ensures that adequate time is allocated for discussion of all strategic issues. The Executive Chairman is assisted by the Board committees and the internal auditors who report to the AC in ensuring compliance with the Company's guidelines on corporate governance.

▶ Guideline 3.2 of the Code:
Role of the Chairman

As the CEO, Mr Low Kok Ann, is responsible for the overall management, operations and charting the corporate and strategic direction, including our sales, marketing and procurement strategies.

The Board appointed Mr Ong Beng Chye as the Lead Independent Director (Lead ID) on 10 November 2009 to lead and coordinate the activities of the Independent Directors. The Lead ID aids the Independent Directors to constructively challenge and assist in the development of proposals on strategy, review the performance of the management in meeting agreed goals and objectives and monitor the reporting of performance.

▶ Guideline 3.3 of the Code:
Appointment of lead independent director

The Lead ID also coordinates sessions for the Independent Directors to meet without the presence of the executive directors, if required. He shall provide feedback gathered from such meetings to the Executive Chairman, if necessary.

▶ Guideline 3.4 of the Code:
Periodic meeting of independent directors

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

▶ **Guideline 4 of the Code: BOARD MEMBERSHIP**

The NC comprises Mr Terrance Tan Kong Hwa, Mr Ong Beng Chye (Lead ID) and Mr Chow Wen Kwan Marcus, all of whom are non-executive and independent directors. The Chairman of the NC is Mr Terrance Tan Kong Hwa.

▶ Guidelines 4.1 and 4.2 of the Code:
NC to recommend all Board appointments and on relevant matters

The key terms of reference of the NC are as follows:

- Make recommendation to the Board on the appointment and re-appointment of the directors having regard to each director's competencies, commitment, contribution and performance.
- 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.
- Assess the effectiveness of the Board as a whole and its Board Committees and to assess the contribution by the Chairman and each individual director to the effectiveness of the Board
- Decide whether the director is able to and has been adequately carrying out his duties as director of the Company.

CORPORATE GOVERNANCE STATEMENT

– Make recommendations to the Board on training and professional development programme for the Board.
– Determining annually whether or not a director is independent.
– Ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

Pursuant to Article 104 of 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 following directors be put forward for re-election at the forthcoming Annual General Meeting:

Mr Low Kok Ann
Mr Ong Beng Chye

The Board has accepted this recommendation and being eligible, Mr Low Kok Ann and Mr Ong Beng Chye will be offering themselves for re-election at the forthcoming Annual General Meeting.

Please refer to "Board of Directors" section of the Annual Report for details and information of the above directors.

▶ Guideline 4.3 of the Code: Determination of directors' independence

The NC is charged with the responsibility of determining annually whether or not a director is independent. Each independent director is required to complete a confirmation of independence, drawn up according to the guidelines stated in the Code, to confirm his independence. He shall disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgement. Based on the annual review of the independence of the independent directors according to the guidelines stated in the Code, the NC ascertained that all independent directors are independent.

▶ Guideline 4.4 of the Code: Multiple board representation

When a director has multiple board representations, the NC also consider whether or not the director is able to and has adequately carried out his duties as a director of the Company.

The NC believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive. A sufficient safeguard is requiring each director annually, to confirm to the NC of his ability to devote sufficient time and attention to the Group's affairs, having regard to all his other commitments.

The NC is satisfied that sufficient time and attention were given by the directors to the affairs of the Company during FY2014, notwithstanding that they hold directorships in other private and listed companies and have other principal commitments, and will continue to do so in FY2015.

▶ Guideline 4.5 of the Code: Avoidance of appointment of alternate directors

The Board of the Company does not comprise any alternate director.

▶ Guideline 4.6 of the Code: Description of process for selection, appointment and re-appointment of directors to be disclosed

When the need for a new director to replace a retiring director arises, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria.

Candidates would first be sourced through an extensive network of contacts and identified based on the needs of the Group and relevant expertise and experience required. The NC may engage recruitment consultants to undertake research on or assess candidates for new position on the Board, or to engage such other independent experts, if necessary. After the Board interviewed the candidates, the NC would further shortlist and recommend the candidates for appointment to the Board. The Board has the final discretion in appointing new directors.

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The NC recommends the appointment and re-appointment of directors based on the following criteria:

a. Expertise and experience of the candidate and whether they have discharged their duties adequately as directors of the Company, officers of other companies and/ or professionals in the area of expertise
b. Independence of the candidate (for Independent Directors)
c. Appointment or re-appointment will not result in non-compliance with any composition requirements for the Board and Board committees
d. Whether the candidate is a fit and proper person in accordance with Monetary Authority of Singapore's (MAS) fit and proper guidelines, which broadly take into account the candidate's honesty, integrity and reputation; his competence and capability; and financial soundness.

Adopting this rigorous selection process, the Board would propose for approval by the shareholders in a general meeting of the appointment or re-appointment of directors.

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.

▶ Guideline 4.7 of the Code: Key information regarding directors

Key information in respect of the directors' academic and professional qualifications, date of first appointment as a director, date of last re-appointment as a director, present directorships or chairmanship and those held over the preceding three years in other listed companies and other principal commitments are set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company held by each director is set out in the Directors' Report in "Financial Statements" section of the Annual Report.

▶ Guideline 5 of the Code: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

▶ Guidelines 5.1, 5.2 and 5.3 of the Code: Assessment of effectiveness of the Board and Board committees and assessing the contribution by the Chairman and each director

The NC and the Chairman of the Board have implemented a self-assessment process that required each director to assess the performance of the Board as a whole. These assessments are carried out by the NC at the end of each financial year to identify strengths and shortcomings and thereby, make recommendations to strengthen the effectiveness of the Board as a whole.

The NC assesses the Board's effectiveness as a whole by completing a Board Performance Evaluation Checklist. The checklist takes into consideration factors such as the Board's and Board committees' structure, conduct of meetings, risk management and internal control and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year. It is of the view that the performance of the Board as a whole has been satisfactory.

The NC met once and conducted its assessment in respect of the financial year ended 30 June 2014.

▶ Guideline 6 of the Code: ACCESS TO INFORMATION

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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Management recognises that the flow of complete, adequate and timely information on an on-going basis to the Board is essential to the Board's effective and efficient discharge of its duties.

▶ Guidelines 6.1 and 6.2 of the Code:
Complete, adequate and timely information for directors to make informed decisions; Independent access to the management by the Board

During FY2014, management has informed the Board of all material events as and when they occurred and sought advice and/ or approval from the Board on major transactions before they are entered into.

Management has provided the Board in advance with half yearly management accounts and relevant background information and materials relating to the matters that were discussed at Board meetings. This enables the discussion during the meetings to focus on questions that directors may have. Any additional materials or information requested by the directors is promptly furnished. During the Board meetings, management staff who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentations and answer any queries from the directors.

All independent directors have separate and independent access to the management via telephone, email and face-to-face meetings.

Directors have separate and independent access to the Company Secretary. The role of the Company Secretary is clearly defined and included responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The responsibilities of the Company Secretary include:

▶ Guideline 6.3 of the Code:
Separate and independent access to the company secretary

a. Administers, attends and prepares minutes of all board meetings;
b. Assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and Listing Rules;
c. Advising the Board on all corporate governance matters;
d. Assists the Executive Chairman in ensuring good information flows within the Board, Board committees and between management and the independent directors; and
e. Communication channel between the Company and SGX-ST.

The Company Secretary attends all Board meetings and Committee meetings and is responsible to ensure that Board procedures are followed.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

▶ Guideline 6.4 of the Code:
Appointment and removal of the company secretary

The Board takes independent professional advice as and when necessary concerning any aspect of the Group's operations or undertakings in order to discharge its responsibilities effectively. Any cost of obtaining professional advice will be borne by the Company.

▶ Guideline 6.5 of the Code:
Procedure for Board to take independent professional advice

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.

▶ **Guideline 7 of the Code:**
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises Mr Chow Wen Kwan Marcus, Mr Ong Beng Chye (Lead ID) and Mr Terrance Tan Kong Hwa, all of whom are non-executive and independent directors. The Chairman of the NC is Mr Chow Wen Kwan Marcus.

▶ Guidelines 7.1 and 7.2 of the Code:
RC to consist of entirely non-executive directors; RC to recommend remuneration framework and packages

The key terms of reference of the RC are as follows:

a. Review and recommend to the Board a general framework of remuneration for the Board and key management personnel;
b. Review and recommend to the Board the specific remuneration packages for each director and key management personnel;
c. Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;

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d. Determine the appropriateness of the remuneration of non-executive directors taking into consideration their effort, time spent, responsibilities and level of contribution;
e. Administer the Hafary Performance Share Plan and any other share option scheme established from time to time for the Directors and the management; and
f. Consider the disclosure requirements for directors' and key management personnel's remuneration as required by the SGX-ST and according to the Code.

The recommendations of the RC shall be submitted for endorsement by the Board. The RC covers all aspects of remuneration, including directors' fees, salaries, allowances, bonuses, awards and benefits-in-kind. Each RC member shall abstain from voting any resolutions in respect of his remuneration package.

The RC members are familiar with management compensation matters as they manage their own businesses and/ or are holding directorships in other listed companies. If necessary, the RC may seek expert advice on remuneration of all directors.

▶ Guideline 7.3 of the Code: RC to seek expert advice

Independent Directors do not have service agreements with the Company. The Independent Directors received directors' fees which are recommended by the Board for approval at the Company's Annual General Meeting.

▶ Guideline 7.4 of the Code: RC to review and ensure that contracts of service contain fair and reasonable termination clauses which are not overly generous

The Executive Director does not receive director's fees and is paid based on his Service Agreement with the Company. In setting the remuneration packages of the Executive Director, the Company takes into account the performance of the Group and that of the Executive Director which is aligned with long term interest of the Group. The RC has reviewed and approved the service agreement of the Executive Director which is valid for 3 years. The current service agreement is entered into with the Company on 27 January 2014. Service tenure is not excessively long and there is no onerous termination clause.

Key management personnel's remuneration is set in accordance with a remuneration framework comprising basic salary (including a variable bonus and benefits-in-kind).

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

▶ Guideline 8 of the Code: LEVEL AND MIX OF REMUNERATION

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 2014, variable or performance related income/ bonus made up 22% to 57% 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.

▶ Guideline 8.1 of the Code: Executive directors and key management personnel's remuneration to be linked to corporate and individual performance and aligned with interests of shareholders

In setting remuneration packages, the RC ensures that the directors are adequately but not excessively remunerated as compared to the market employment conditions. The RC also ascertained that independent directors are not overly-compensated to the extent that their independence may be compromised.

Unless otherwise defined, all terms not defined herein shall be as defined in the rules of the Hafary Performance Share Plan ("Hafary PSP").

▶ Guideline 8.1 of the Code: Long-term incentive schemes are encouraged

The Hafary PSP is intended to give the Company greater flexibility in tailoring reward and incentive packages for its Directors and employees, and aligning their interest with those of the Company's shareholders.

▶ Guideline 9.5 of the Code: Details of employee share schemes

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Awards granted under the Hafary PSP will be principally (i) performance-based and (ii) loyalty-based. The performance targets to be set are intended to be broad-based and shall take into account both the medium-term corporate objectives of our Group and the individual performance of the Participant. The medium-term corporate objectives include market competitiveness, quality of returns, business growth and productivity growth. The performance targets set are based on medium-term corporate objectives, which include revenue growth, growth in earnings and return on investment. Additionally, the Participant's length of service with our Group, achievement of past performance targets, extent of value-adding to our Group's performance and development and overall enhancement to Shareholder value, *inter alia*, will be taken into account. The Hafary PSP may also have an extended vesting period, that is, the Awards will also incorporate a time-based service condition, to encourage Participants to continue serving our Group beyond the achievement date of the pre-determined performance targets.

The Hafary PSP was approved by the shareholders of the Company at annual general meeting held on 25 October 2013, and is administered by the plan committee, comprising the RC, the CEO and Financial Controller authorised and appointed by the Board.

Names of members of the plan committee:

Mr Chow Wen Kwan Marcus	Chairman
Mr Terrance Tan Kong Hwa	Member
Mr Ong Beng Chye	Member
Mr Low Kok Ann	Member
Mr Tay Eng Kiat Jackson	Member

Participants in the Hafary PSP will receive awards which represent the right to receive fully paid shares of the Company free of charge, upon satisfying the Performance Condition (determined at the discretion of the plan committee) and provided that the relevant Participant has continued to be a Group Executive from the Award Date up to the end of the Performance Period. Employees who are Controlling Shareholders or Associates of Controlling Shareholders shall not participate in the Hafary PSP.

No awards were granted during FY2014 under the Hafary PSP.

On 1 August 2014, Awards comprising 1,550,000 ordinary shares were granted to certain Group Executives who are not Executive Directors or Independent Directors.

As at the date of this Annual Report, no Awards were released and no Awards were granted to the Independent Directors of the Company. No shares were granted to any Directors of the Company, controlling shareholders and their associates pursuant to the vesting of the Awards under the PSP. No employee in the Group has received shares which, in aggregate, represent 5% or more of the aggregate of the total number of shares available under the Hafary PSP.

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 the approval by the shareholders at each Annual General Meeting. Currently, the Company does not have any scheme to encourage independent directors to hold shares in the Company.

▶ Guideline 8.3 of the Code: Remuneration of independent directors dependent on contribution, effort, time spent and responsibilities

Service agreement of the Executive Director contains clauses to allow the Company to reclaim variable components of remuneration in exceptional circumstances.

▶ Guideline 8.4 of the Code: Contractual provisions to allow the Company to reclaim incentive components of remuneration in exceptional circumstances

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Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

▶ **Guideline 9 of the Code: DISCLOSURE ON REMUNERATION**

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the key management personnel (who are not Directors or the CEO of the Company). The Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Corporate Governance Report and in the financial statements of the Company.

▶ Guideline 9.1 of the Code: Annual remuneration report

There are no termination, retirement and post-employment benefits granted to Directors, the Group CEO or the top five key management personnel (who are not Directors or the CEO).

In view of confidentiality of the remuneration policies of the Company, the Board is of the opinion that it is in the best interests of the Group to disclose the remuneration of its Directors and key management personnel in salary bands.

▶ Guidelines 9.2 and 9.3 of the Code: Remuneration of directors and top five key management personnel

A breakdown showing the band and mix of each director's remuneration for the financial year ended 30 June 2014 is as follows:

Remuneration band and name of director	Directors' fee (%)	Salary, CPF and allowance (%)	Variable or performance-related bonus (%)	Total (%)
S$500,000 to S$749,999				
Mr Low Kok Ann	-	43	57	100
Below S$250,000				
Mr Low See Ching	36	58	6	100
Mr Ong Beng Chye	100	-	-	-
Mr Terrance Tan Kong Hwa	100	-	-	-
Mr Chow Wen Kwan Marcus	100	-	-	-

A breakdown showing the band and mix of remuneration of each top 5 key management personnels (who are not directors or CEO of the Company)* for the financial year ended 30 June 2014 is as follows:

Remuneration band and name of key management personnel	Fixed salary (%)	Variable or performance-related bonus (%)	Total (%)
Below $250,000			
Mr Tay Eng Kiat Jackson	78	22	100
Mr Mike Koh Yew Seng	77	23	100
Mr Goh Keng Boon Frank	81	19	100
Mr Cheong Ching Hing	80	20	100
Mr Tay Chye Heng Stephen	79	21	100

* *This is in accordance with the disclosure contained in Note 3.3 Key Management Compensation of the "Financial Report" section.*

The total remuneration paid to the top five key management personnel (who are not directors or the CEO of the Company) for the financial year ended 30 June 2014 is $875,000.

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"Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent. There is no employee of the Company and its subsidiaries who is an immediate family member of a director or the CEO and whose remuneration exceeded S$50,000 during the financial year ended 30 June 2014.

▶ Guideline 9.4 of the Code: Disclosure of remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds $50,000

Short-term incentive takes the form of annual variable bonus payment.

▶ Guideline 9.6 of the Code: Disclosure of information on link between remuneration paid to executive directors and key management personnel, and performance

For the CEO (an Executive Director), 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)	CEO
Up to S$3 million	1.5% of PBT
Above S$3 million and up to S$5 million	S$45,000 plus 3.0% of PBT in excess of S$3 million
Above S$5 million	S$105,000 plus 4.5% of PBT in excess of S$5 million

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

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

▶ Guideline 10 of the Code: ACCOUNTABILITY

The Board is accountable to the shareholders for the Company's performance 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.

▶ Guideline 10.1 of the Code: Board's responsibility to provide balanced and understandable assessment of the Company's performance, position and prospects

The Board provides the shareholders with a balanced and comprehensive explanation and analysis of the Company's performance, position and prospects on a half-yearly basis. This responsibility extends to reports to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNet, press release and the Company's website. The Board will review and approve, on recommendation of the AC (if necessary), the financial reports and information before their release. The Company's Annual Report is available on request and accessible on the Company's website.

The Board took steps to ensure compliance with the law and other regulatory requirements as follow:

▶ Guideline 10.2 of the Code: Board to take adequate steps to ensure compliance with legislative and regulatory requirements

a. Regular updates on changes on legislative and regulatory requirements
b. Consultations of legal advisors and other relevant professional parties when undertaking any corporate actions
c. Ensure disclosure obligations are fulfilled by reading relevant sections of Listing Rules and completing the relevant disclosure checklists.
d. Ensure that standard policies and procedures to comply with key rules in the Listing Manual are implemented such as:
   – IPTs
   – Trading of company's shares

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis. Furthermore, management has been providing the Executive Directors with monthly consolidated financial information. However, such monthly consolidated financial information is not reviewed or audited by the external auditors and may not always be reflective of the true and fair view of the financial position of the Group.

▶ Guideline 10.3 of the Code: Management to provide Board with management accounts on a monthly basis

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The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

▶ **Guideline 11 of the Code: RISK MANAGEMENT AND INTERNAL CONTROLS**

The Company is committed to managing all risks in a proactive and effective manner. This requires high quality risk analysis to inform management decisions taken at all levels within the Group. Risk analysis and management is undertaken within the Group as a source of sustainable business benefits and competitive advantage. Managing threats and maximising opportunities will ensure that business objectives are met in the most effective way possible, leading to increased value for the business and its stakeholders.

▶ Guideline 11.1 of the Code: Board to determine levels of risk tolerance and risk policies

The Company has internal processes to determine the level of risk tolerance and ensure the consistency and quality of risk analysis and management. The process includes six elements:

a. Establishing the context
b. Risk identification
c. Risk prioritisation
d. Risk mitigation
e. Risk reporting
f. Risk updates

The purpose of engaging in such a process is to ensure that the goals and objectives of the corporate strategy of the Group are achieved.

The Internal Auditors, BDO LLP, carry out internal audits on key risk areas based on an annual internal audit plan and report the findings to the AC. The 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.

▶ Guideline 11.2 of the Code: Board to review the adequacy and effectiveness of the company's risk management and internal control systems, at least annually

The accounts for the year were audited by RSM Chio Lim LLP and the AC has recommended to the Board that RSM Chio Lim LLP be nominated for re-appointment as Auditors at the forthcoming AGM.

The Board conducted a review and assessment of the effectiveness of the Company's risk management and internal control systems including financial, operational, compliance and information technology controls. The assessment was made by discussions with the management of the Company.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, risk assessment reports, assurance from the CEO and Financial Controller and reviews performed by management, the Board, with the concurrence of the Audit Committee, is of the opinion that the internal controls and risk management systems in place are adequate in addressing the financial, operational, compliance and information technology risks of the Company as at 30 June 2014.

▶ Guideline 11.3 of the Code: Board to comment on the adequacy and effectiveness of the internal controls

The Board also received assurance from the CEO and Financial Controller that:

a. the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances

b. Company's risk management and internal control systems are effective.

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.

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The Board is assisted by a separate Enterprise Risk Management Committee in carrying out its responsibility of overseeing the company's risk management framework and policies.

▶ Guideline 11.4 of the Code: Separate board risk committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

▶ **Guideline 12 of the Code: AUDIT COMMITTEE**

The Audit Committee (AC) comprises Mr Ong Beng Chye (Lead ID), Mr Terrance Tan Kong Hwa and Mr Chow Wen Kwan Marcus, all of whom are non-executive and independent directors. The Chairman of the AC is Mr Ong Beng Chye.

▶ Guidelines 12.1, 12.2, 12.9 and 12.4 of the Code: Composition of AC; Board to ensure AC members are qualified; Duties of AC

The Board is of the opinion that at least 2 members of the AC possess the necessary accounting or related financial management qualifications, expertise and experience in discharging their duties.

The key terms of reference of the AC are as follows:

a. Review with the external auditors the audit plan, their evaluation of the Company's internal accounting controls that are relevant to their statutory audit and their audit report;
b. Review with the internal auditors the internal audit plan and their evaluation of the adequacy and effectiveness of the internal controls and accounting system before submission of the results of such review to the Board;
c. Report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;
d. Review the financial statements and the independent auditors' report on those financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements, 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;
e. Ensure co-ordination between the external auditors and internal 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);
f. 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;
g. Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
h. Review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
i. Review any potential conflicts of interest;
j. 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
k. Generally 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 role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements. The AC also reviews the adequacy of the Company's internal controls and effectiveness of the Company's internal audit function as set out in the guidelines stated in the Code. The services of the internal auditors are utilised to assist the AC in the discharge of its duties and responsibilities.

CORPORATE GOVERNANCE STATEMENT

The AC 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.

The AC is authorised to investigate any matter within its terms of reference, and has full access to, and cooperation of, the Management. The AC has full discretion to invite any director or management staff to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the independent auditors.

▶ Guideline 12.3 of the Code: AC to have explicit authority to investigate and have full access to management and reasonable resources

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 AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular transaction.

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

▶ Guideline 12.5 of the Code: AC to meet auditors without the presence of management annually

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 2014 for audit and non-audit services are S$116,000 and S$12,000 respectively.

▶ Guideline 12.6 of the Code: AC to review independence of external auditors annually

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

In appointing the auditing firms for the Company, subsidiaries and significant associated Companies, the Company has complied with Listing Rules 712 and 715.

Whistle-Blowing Policy

▶ Guideline 12.7 of the Code: AC to review arrangements for staff and any other persons to raise concerns/ possible improprieties to AC

The Company has in place a whistle-blowing policy where staff of the Company and any other persons can have access to the AC Chairman and members. All concerns about possible improprieties in financial reporting and other matters would be channelled 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.

Details of the whistle-blowing policy and arrangements have been made available to all employees of the Company.

The AC shall commission and review the findings of internal investigations it matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

As at date of this report, there were no reports received through the whistle blowing mechanism.

▶ Guideline 13 of the Code: INTERNAL AUDIT

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

CORPORATE GOVERNANCE STATEMENT

The Group outsources its internal audit function to BDO LLP, an international auditing firm, 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 AC approves the hiring, removal, evaluation and compensation of the internal auditors.

▶ Guideline 13.1 of the Code: IA to report to AC Chairman and to CEO administratively

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.

▶ Guidelines 13.2, 13.3, 13.4 and 13.5 of the Code: AC to ensure IA is adequately resourced; IA should be appropriately staffed; IA should meet standards set by internally-recognised professional bodies; AC to review adequacy and effectiveness of IA function annually

The internal audit team is staffed with persons with relevant qualifications and experience and carry out its function according to the BDO Global methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. 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 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 also reviews the activities of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews, at least annually, the adequacy and effectiveness of the internal audit function of the Company.

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

▶ **Guideline 14 of the Code: SHAREHOLDER RIGHTS**

The Company is committed to disclosing as much relevant information as is possible, in a timely, fair and transparent manner, to its shareholders. Material information which would likely materially affect the price or value of the Company's shares is disclosed on a comprehensive, accurate and timely basis via SGXNet. The release of such relevant information timely enables shareholders to make informed decisions in respect of their investment in the Company.

▶ Guideline 14.1 of the Code: Shareholders should be sufficiently informed of changes that would likely materially affect the Company's share price or value

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 date and full year-end date respectively. With effect from the financial year ending 30 June 2015, financial results will be released on a quarterly basis.

▶ Guideline 14.2 of the Code: Company to ensure shareholders have the opportunity to participate effectively and vote at general meetings

Notices of general meetings are dispatched to shareholders, together with the annual report and/ or circulars 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 the Board regarding the Company.

The release of financial information and general meeting notice and circulars timely enables shareholders to prepare and participate effectively and vote at general meetings.

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.

Pursuant to Article 82 of the Company's Articles of Association, a shareholder is allowed to appoint up to two proxies to attend and vote in his/ her stead at general meetings.

▶ Guideline 14.3 of the Code: Company to allow corporations which provide nominee or custodial services to appoint more than two proxies

CORPORATE GOVERNANCE STATEMENT

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

▶ Guideline 15 of the Code: COMMUNICATION WITH SHAREHOLDERS

The Company recognizes that open communication is essential and have established an investor relations policy for communicating with shareholders and other audiences in the finance and investment community. This policy aims to ensure that relevant information about the Group's activities is communicated to legitimately interested parties subject to any overriding considerations of business confidentiality and cost.

▶ Guideline 15.1 of the Code: Company to devise effective investor relations policy to regularly convey pertinent information

The Board is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the Listing Rules and the Companies Act, Chapter 50. Information is communicated to shareholders on a timely basis through:

▶ Guideline 15.2 of the Code: Company to disclose information timely through SGX and other channels

a. Announcements and press releases via SGXNet;
b. Company's website (www.hafary.com.sg); and
c. Annual reports

The investor relations function is overseen by the Financial Controller. The management regularly communicates with the analysts and investors through email, telephone or face-to-face dialogues to help them gain a broader understanding of the Company's businesses and operating fundamentals. Discussions are based on publicly available information.

▶ Guidelines 15.3 and 15.4 of the Code: Board to maintain regular dialogue with shareholders; Board to disclose the steps taken to solicit and understand shareholders' views

The Company provided numerous opportunities for communication with our shareholders, investors and other stakeholders during FY2014 as follows:

a. Annual General Meeting
b. Update on corporate developments via SGXNet
c. Press releases
d. Analysts' briefings

The Company does not have a formal dividend policy. The form, frequency and amount of future dividend of our shares will depend on our earnings, financial position, results of operations, capital needs, plans for expansion and other factors as the Board may deem appropriate.

▶ Guideline 15.5 of the Code: Company to have dividend payment policy

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

▶ Guideline 16 of the Code: CONDUCT OF SHAREHOLDER MEETINGS

The Company's Articles of Association allow a member entitled to attend and vote to appoint not more than two proxies to attend and vote instead of the member and also provide that a proxy need not be a member of the Company. Voting in absentia by mail, email or fax is currently not permitted to ensure proper authentication of the identity of the shareholders and their voting intentions.

▶ Guideline 16.1 of the Code: Shareholders should be allowed to vote in absentia

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and agrees to the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

▶ Guideline 16.2 of the Code: Separate resolutions on each substantially separate issue

All directors, including the Executive Chairman of the Board, and various Board committees, attend the general meetings to address shareholders' queries and receive feedbacks from shareholders. The external auditors, RSM Chio Lim LLP, are also invited to attend Annual General Meetings and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report.

▶ Guideline 16.3 of the Code: All directors should attend general meetings of shareholders

CORPORATE GOVERNANCE STATEMENT

Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and management were taken. Minutes of general meetings would be available to shareholders upon their written requests.

▶ Guideline 16.4 of the Code: Minutes of general meetings should be prepared and available to shareholders

Voting at the annual general meeting will be by show of hands unless a poll is demanded. Voting on show of hands enables the Company and shareholders to deal with the business of the annual general meeting expeditiously as the result of the vote is instantly available. A poll may be demanded by the Chairman of the meeting or by at least two members or members representing not less than one-tenth of the total voting rights of all members having the rights to vote at a meeting.

▶ Guideline 16.5 of the Code: All resolutions should be put to vote by poll

When resolution is put to vote by poll in a general meeting, detailed results (showing the number of votes cast for and against each resolution and the respective percentages) are announced at the meeting and via SGXNet announcement.

DEALINGS IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of the SGX-ST 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 financial results 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 1207(19) of the Listing Manual of the SGX-ST 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 in Table 1 below, there is no other interested person transactions conducted during the year, which exceeds S$100,000 in value.

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, 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 2014.

CORPORATE GOVERNANCE STATEMENT

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.

According to announcement dated 5 February 2013, 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 was 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 is shown in Table 2 below.

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 19 September 2014, the Company has fully 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$1,458,000; and
b) General working capital purposes amounting to S$4,342,000.

Redevelopment of the property at 18C Sungei Kadut Street 4 was completed at a cost of S$1,458,000. The balance of S$42,000 originally allocated for this purpose has been re-allocated and used for general working capital purposes.

CORPORATE GOVERNANCE STATEMENT

Table 1:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000)			
	Conducted under shareholders' mandate pursuant to Rule 920		Not conducted under shareholders' mandate pursuant to Rule 920	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Sales to:				
a) Oxley Construction Pte. Ltd.	1,181	845	-	-
b) Mr Low See Ching (Non-Executive Director and controlling shareholder)	-	-	766	-

Table 2:

Use of net proceeds	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

DIRECTORS' REPORT AND 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 2014.

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	68,000,000	68,000,000	–	–
Low See Ching	30,600,000	30,600,000	92,500,000	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 2014 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.

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

DIRECTORS' REPORT

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 the scope and, 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. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 30 June 2014.

DIRECTORS' REPORT

9. 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 27 August 2014, which would materially affect the group's and the company's operating and financial performance for the reporting year ended 30 June 2014, as of the date of this report.

On Behalf of The Directors

....	....
Low Kok Ann	Low See Ching
Director	Director

26 September 2014

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 2014 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	Low See Ching
Director	Director

26 September 2014

INDEPENDENT AUDITOR'S 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 2014, 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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of HAFARY HOLDINGS LIMITED (Registration No: 200918637C)

OPINION

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 30 June 2014 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

26 September 2014

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 2014

	Notes	2014 $'000	2013 $'000
Revenue	5	92,745	83,337
Other Items of Income			
Interest Income	6	23	–
Other Credits	7	1,647	24,092
Other Items of Expense			
Changes in Inventories of Finished Goods		6,437	5,184
Purchases and Related Costs		(63,888)	(54,757)
Employee Benefits Expense	8	(12,923)	(13,093)
Depreciation Expense	16, 17	(2,661)	(1,423)
Impairment Losses	9	(344)	(4,728)
Other Charges	7	(605)	(335)
Finance Costs	10	(1,784)	(1,207)
Other Expenses	11	(8,733)	(7,315)
Share of Profit (Loss) from Equity-Accounted Associates	20	635	(1,833)
Share of Profit from an Equity-Accounted Joint Venture	21	198	90
Profit Before Income Tax from Continuing Operations		10,747	28,012
Income Tax Expense	12	(2,027)	(5,130)
Profit from Continuing Operations, Net of Tax		8,720	22,882
Other Comprehensive Income, Net of Tax		–	–
Total Comprehensive Income for the Year		8,720	22,882
Total Comprehensive Income Attributable to:			
- Owners of the Parent		8,048	22,328
- Non-Controlling Interests		672	554
		8,720	22,882
		Cents	**Cents**
Basic and Diluted Earnings Per Share	14	1.88	5.55

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2014

	Notes	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	16	67,239	52,124	402	188
Other Asset, Non-Current	17	4,771	–	–	–
Investments in Subsidiaries	19	–	–	9,239	9,239
Investments in Associates	20	3,496	2,861	–	–
Investments in Joint Ventures	21	278	160	–	–
Other Financial Asset	22	1,247	–	1,247	–
Total Non-Current Assets		77,031	55,145	10,888	9,427
Current Assets					
Inventories	23	41,356	35,054	–	–
Trade and Other Receivables	24	26,820	29,969	25,839	34,413
Derivative Financial Instruments	32	–	197	–	–
Other Assets, Current	25	4,270	6,039	13	41
Cash and Cash Equivalents	26	4,857	9,583	120	2,051
Total Current Assets		77,303	80,842	25,972	36,505
Total Assets		154,334	135,987	36,860	45,932
EQUITY AND LIABILITIES					
Equity					
Share Capital	27	26,634	26,634	26,634	26,634
Retained Earnings		11,015	18,042	1,393	11,139
Equity, Attributable to Owners of the Parent		37,649	44,676	28,027	37,773
Non-Controlling Interests		2,635	2,075	–	–
Total Equity		40,284	46,751	28,027	37,773
Non-Current Liabilities					
Deferred Tax Liabilities	12	449	239	–	–
Other Financial Liabilities	28	36,941	17,380	165	101
Total Non-Current Liabilities		37,390	17,619	165	101
Current Liabilities					
Provision	29	369	328	–	–
Income Tax Payable		5,716	5,328	5	11
Trade and Other Payables	30	14,944	18,183	8,624	7,986
Other Financial Liabilities	28	54,701	47,186	39	61
Other Liabilities	31	826	592	–	–
Derivative Financial Instruments	32	104	–	–	–
Total Current Liabilities		76,660	71,617	8,668	8,058
Total Liabilities		114,050	89,236	8,833	8,159
Total Equity and Liabilities		154,334	135,987	36,860	45,932

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2014

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 2013	46,751	44,676	26,634	18,042	2,075
Movements in Equity:					
Total Comprehensive Income for the Year	8,720	8,048	–	8,048	672
Acquisition of a Non-Controlling Interest Without a Change in Control	–	(60)	–	(60)	60
Dividends Paid (Note 15)	(15,015)	(15,015)	–	(15,015)	–
Dividends Paid to Non-Controlling Interests	(172)	–	–	–	(172)
Closing Balance at 30 June 2014	40,284	37,649	26,634	11,015	2,635
Previous Year:					
Opening Balance at 1 July 2012	33,005	31,304	20,875	10,429	1,701
Movements in Equity:					
Total Comprehensive Income for the Year	22,882	22,328	–	22,328	554
Dividends Paid (Note 15)	(14,715)	(14,715)	–	(14,715)	–
Dividends Paid to Non-Controlling Interests	(180)	–	–	–	(180)
Issue of Shares (Note 27)	5,880	5,880	5,880	–	–
Share Issue Expenses (Note 27)	(121)	(121)	(121)	–	–
Closing Balance at 30 June 2013	46,751	44,676	26,634	18,042	2,075

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2014

Company:	Total Equity $'000	Share Capital $'000	Retained Earnings $'000
Current Year:			
Opening Balance at 1 July 2013	37,773	26,634	11,139
Movements in Equity:			
Total Comprehensive Income for the Year	5,269	–	5,269
Dividends Paid (Note 15)	(15,015)	–	(15,015)
Closing Balance at 30 June 2014	28,027	26,634	1,393
Previous Year:			
Opening Balance at 1 July 2012	24,019	20,875	3,144
Movements in Equity:			
Total Comprehensive Income for the Year	22,710	–	22,710
Dividends Paid (Note 15)	(14,715)	–	(14,715)
Issue of Shares (Note 27)	5,880	5,880	–
Share Issue Expenses (Note 27)	(121)	(121)	–
Closing Balance at 30 June 2013	37,773	26,634	11,139

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2014

	2014 $'000	2013 $'000
Cash Flows From Operating Activities		
Profit Before Income Tax From Continuing Operations	10,747	28,012
Adjustment for:		
Interest Expense	1,784	1,207
Interest Income	(23)	–
Share of (Profit) Loss of Associates	(635)	1,833
Share of Profit of Joint Venture	(198)	(90)
Depreciation of Property, Plant and Equipment	2,628	1,423
Depreciation of Other Asset, Non-Current	33	–
Impairment Loss on Investment in an Associate	–	4,020
Gain on Disposal of Development Property	(85)	(23,762)
Loss (Gain) on Disposal of Property, Plant and Equipment	304	(64)
Gain on Disposal of Subsidiary	(1,000)	–
Fair Value Gain on Other Financial Asset	(189)	–
Fair Value Losses (Gains) on Derivative Financial Instruments	301	(240)
Net Effect of Exchange Rate Changes In Consolidating Subsidiary	(7)	–
Operating Cash Flows Before Changes in Working Capital	13,660	12,339
Inventories	(6,302)	(4,813)
Trade and Other Receivables	(1,944)	(6,272)
Other Assets, Current	1,202	(4,326)
Cash Restricted in Use	(82)	–
Provision	41	52
Trade and Other Payables	3,555	2,139
Other Liabilities	234	(73)
Net Cash Flows From (Used in) Operations	10,364	(954)
Income Taxes Paid	(1,423)	(359)
Net Cash Flows From (Used in) Operating Activities	8,941	(1,313)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2014

	2014 $'000	2013 $'000
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment (Note 26B)	(17,949)	(21,526)
Purchase of Other Asset, Non-Current	(4,804)	–
Proceeds From Disposal of Property, Plant and Equipment	233	196
Payments for Development Property Costs	–	(8,539)
Progress Payments Received From Sale of Development Property	6,528	35,163
Investment in an Associate	–	(2,819)
Investments in Joint Ventures	–	(100)
Investment in Other Financial Asset, Non-Current	(1,058)	–
Proceeds from Disposal of Subsidiary (Note 13)	1,000	–
Loan to Associate	(1,269)	–
Dividend Income from Joint Venture	80	25
Interest Received	1	–
Net Cash Flows (Used in) From Investing Activities	(17,238)	2,400
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	(21,450)	(8,280)
Dividends Paid to Non-Controlling Interests	(172)	(180)
(Decrease) Increase in Trust Receipts and Bills Payable	(6,573)	7,616
Repayment of Finance Lease Liabilities	(284)	(263)
Proceeds From New Bank Loans	51,817	22,655
Repayment of Bank Loans	(18,067)	(22,267)
Issue of Shares	–	5,759
Interest Expense Paid	(1,782)	(1,528)
Net Cash Flows From Financing Activities	3,489	3,512
Net (Decrease) Increase in Cash and Cash Equivalents	(4,808)	4,599
Cash and Cash Equivalents, Beginning Balance	9,583	4,984
Cash and Cash Equivalents, Ending Balance (Note 26A)	4,775	9,583

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

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

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 is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activities of subsidiaries are described in Note 19 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 subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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 income, expenses and cash flows are eliminated in full on consolidation. The consolidated financial statements include the income and expenses of a subsidiary from the date the entity gains control until the date when the entity ceases to control the subsidiary. Income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

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 group's 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.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this 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 revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established. Interest revenue is recognised using the effective interest method. Revenue from sale of units in development property is recognised in accordance with the accounting policy on development property (see below).

Segment Reporting

The reporting entity discloses financial and descriptive information about its consolidated 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.

Employee Benefits

Certain subsidiaries operate defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund are held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to profit or loss in the period to which they relate. This plan is in addition to the contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax 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 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 measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of Financial Statements of Other Entities

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

In the company's own separate financial statements, an investment in a subsidiary is 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 a subsidiary 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

An associate is an entity including an unincorporated entity in which the reporting entity has a 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. 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 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired. 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.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. 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. 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 associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an 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 fair value at the date that it ceases to be an associate.

In the company's 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 value and the net book value of an investment in the associate 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. In the consolidated financial statements, 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 the 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 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

Business combinations are accounted for by applying the acquisition method. There were no acquisitions of business combination during the reporting year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Borrowing Costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that 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.

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.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. 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 represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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% to 25%

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.

Land Use Right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortisation and accumulated impairment losses. The land use right is amortised over the remaining lease terms of 37 years, which is 3% per annum.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 other 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 of disposal and its value in use. When the fair value less costs of disposal 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 measured, 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.

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. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following 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 off 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.

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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 measured 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.

Fair Value Measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurement (Cont'd)

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements**.** Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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 to the financial statements.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. 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.

NOTES TO THE FINANCIAL STATEMENTS

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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 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 judgment 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. 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 an investee 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 of the specific asset at the end of the reporting year affected by the assumption is $80,000.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

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

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

#3.1 Related companies:

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

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees, no interest or charge imposed 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 related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees, no interest or charge imposed 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:

	Directors		**Other related parties**	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Sale of goods #a	(771)	(4)	(1,199)	(879)
Rental expense	11	–	–	–

	Associate		**Joint venture**	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Sale of goods	(263)	–	(14)	(59)
Rental income	–	–	(214)	(91)
Interest income	(22)	–	–	–
Other income	–	–	(112)	(68)
Receiving of services	–	–	181	411
Purchase of goods	–	166	–	–

#a. The other related parties and the group have common shareholders.

NOTES TO THE FINANCIAL STATEMENTS
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3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

#3.3 Key management compensation:

	Group	
	2014 $'000	2013 $'000
Salaries and other short-term employee benefits	1,684	2,389

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

	Group	
	2014 $'000	2013 $'000
Remuneration of directors of the company	655	1,739
Fees to directors of the company	154	110

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include 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 trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements are as follows:

	Joint venture	
Group	2014 $'000	2013 $'000
Other receivables (other payables):		
Balance at beginning of the year – net debit	180	–
Amounts paid out and settlement of liabilities on behalf of the joint venture	502	349
Amounts paid in and settlement of liabilities on behalf of company	(437)	(74)
Capitalisation of amount due from joint venture into ordinary shares	–	(100)
Dividend income	80	30
Dividends paid in	(75)	(25)
Balance at end of the year – net debit	250	180
Presented in the statement of financial position as follows:		
Other receivables (Note 24)	302	180
Other payables (Note 30)	(52)	–
	250	180

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

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

	Associate	
Group	**2014 $'000**	**2013 $'000**
Other receivable:		
Balance at beginning of the year	–	–
Loan to associate	1,269	–
Interest income	22	–
Balance at end of the year (Note 24)	1,291	–

	Directors	
Group	**2014 $'000**	**2013 $'000**
Other payables:		
Balance at beginning of the year	2,867	–
Amounts paid in	549	–
Interim dividend payable	–	2,867
Amounts paid out	(2,867)	–
Balance at end of the year (Note 30)	549	2,867

	Shareholders	
Group	**2014 $'000**	**2013 $'000**
Other payables:		
Balance at beginning of the year	3,568	–
Amounts paid in	722	–
Interim dividend payable	–	3,568
Amounts paid out	(3,568)	–
Balance at end of the year (Note 30)	722	3,568

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

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

	Subsidiaries	
Company	**2014 $'000**	**2013 $'000**
Other receivables (other payables):		
Balance at beginning of the year – net debit	30,692	12,558
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	2,085	3,948
Amounts paid in and settlement of liabilities on behalf of the company	(23,700)	(8,427)
Allowance for impairment	–	(5,861)
Dividend income	4,940	28,474
Balance at end of the year – net debit	14,017	30,692
Presented in the statement of financial position as follows:		
Other receivables (Note 24)	22,018	30,692
Other payables (Note 30)	(8,001)	–
	14,017	30,692

	Directors	
Company	**2014 $'000**	**2013 $'000**
Other payables:		
Balance at beginning of the year	2,867	–
Amounts paid in	–	–
Interim dividend payable	–	2,867
Amounts paid out	(2,867)	–
Balance at end of the year (Note 30)	–	2,867

	Shareholders	
Company	**2014 $'000**	**2013 $'000**
Other payables:		
Balance at beginning of the year	3,568	–
Amounts paid in	–	–
Interim dividend payable	–	3,568
Amounts paid out	(3,568)	–
Balance at end of the year (Note 30)	–	3,568

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 reporting entity.

For management purposes, the reporting entity 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 ceramic tiles, stone and wood furnishing for residential and commercial properties.

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

General segment includes retail “walk-in” customers who purchase their requirements from the showrooms or customers (such as architecture, interior design and renovation firms) who make ad-hoc purchases for 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.

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4B. PROFIT OR LOSS FROM CONTINUING OPERATIONS AND RECONCILIATIONS

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2014:					
Revenue by segment:					
Total revenue by segment	67,699	59,804	3,315	169	130,987
Inter-segment sales	(17,311)	(18,521)	(2,410)	–	(38,242)
Total revenue	50,388	41,283	905	169	92,745
Recurring EBITD	6,782	5,824	1,584	169	14,359
Non-recurring EBITD	–	–	(1,085)	–	(1,085)
Gain on disposal of development property	–	–	85	–	85
Gain on disposal of subsidiary (Note 13)	–	–	1,000	–	1,000
Finance costs	(1,482)	(302)	–	–	(1,784)
Depreciation expense	(1,790)	(871)	–	–	(2,661)
Share of profit from equity-accounted associate	–	–	635	–	635
Share of profit from an equity-accounted joint venture	–	–	198	–	198
ORBIT	3,510	4,651	2,417	169	10,747
Income tax expense					(2,027)
Profit, Net of Tax					8,720

	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 profit 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)

4C. ASSETS, LIABILITIES AND RECONCILIATIONS

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2014:					
Segment assets	109,981	40,577	3,776	–	154,334
Segment liabilities	80,617	27,268	–	–	107,885
Deferred tax liabilities					449
Income tax payable					5,716
Total liabilities					114,050

	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

4D. OTHER MATERIAL ITEMS AND RECONCILIATIONS

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Impairment of assets, net – made/ (reversal):					
2014	320	24	–	–	344
2013	586	122	4,020	–	4,728
Expenditures for non-current assets:					
2014	19,604	3,989	–	–	23,593
2013	13,851	8,258	9,250	–	31,359

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4E. GEOGRAPHICAL INFORMATION

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

Revenues are attributed to countries on the basis of the customer's location, 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 (2013: Nil).

5. REVENUE

	Group	
	2014 $'000	2013 $'000
Sale of goods	87,428	78,081
Amount recognised from installation contracts	4,243	5,030
Rental income	924	91
Other income	150	135
Total revenue	92,745	83,337

6. INTEREST INCOME

	Group	
	2014 $'000	2013 $'000
Interest income	23	–

7. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2014 **$'000**	**2013** **$'000**
Compensation income	–	4
Fair value (losses) gains on derivative financial instruments (Note 32)	(301)	240
Fair value gain on other financial asset (Note 22)	189	–
Foreign exchange adjustment gains (losses), net	161	(335)
Gain on disposal of development property	85	23,762
(Losses) Gains on disposal of property, plant and equipment	(304)	64
Gain on disposal of subsidiary (Note 13)	1,000	–
Government grant income	106	20
Insurance compensation received	12	2
Sponsorship income	94	–
Net	1,042	23,757
Presented in profit or loss as:		
Other credits	1,647	24,092
Other charges	(605)	(335)
Net	1,042	23,757

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2014 **$'000**	**2013** **$'000**
Salaries, bonuses and other short-term benefits	11,303	11,616
Contributions to defined contribution plan	1,620	1,477
Total employee benefits expense	12,923	13,093

9. IMPAIRMENT LOSSES

	Group	
	2014 **$'000**	**2013** **$'000**
Allowance for impairment of inventories (Note 23)	135	371
Allowance for impairment of trade receivables (Note 24)	240	434
Allowance for impairment of trade receivables, reversal (Note 24)	(44)	(127)
Bad debts recovered – trade receivables	(2)	(1)
Bad debts written off – other receivables	1	31
Impairment allowance on investment in an associate	–	4,020
Other assets written off	14	–
Total impairment losses	344	4,728

10 FINANCE COSTS

	Group	
	2014 $'000	2013 $'000
Interest expense on:		
- bank loans	1,083	806
- bill payables	786	720
- finance lease liabilities	17	19
Less: amounts included in the cost of qualifying assets		
- property, plant and equipment	(102)	(307)
- development property	–	(31)
Total finance costs	1,784	1,207

11. OTHER EXPENSES

The components include the following:

	Group	
	2014 $'000	2013 $'000
Advertising	213	135
Bank charges	234	160
Commission	849	621
Entertainment and refreshment	362	272
Hire of equipment and motor vehicles	255	187
Insurance expense	136	124
Legal and professional fees	306	358
Property tax	329	174
Printing and stationery	152	102
Rental of premises	2,191	2,400
Repair and maintenance	337	302
Staff welfare	258	236
Transportation expense	60	45
Travelling expense	231	106
Upkeep of forklifts	208	158
Upkeep of motor vehicles	763	760
Utilities	408	326
Audit fees to the independent auditors of the company	116	112
Audit fees to the other independent auditors	8	14
Non-audit fees to the independent auditors of the company	12	12

12. INCOME TAX

12A. COMPONENTS OF TAX EXPENSE RECOGNISED IN PROFIT OR LOSS INCLUDE:

	Group	
	2014 $'000	2013 $'000
Current tax expense:		
Current tax expense	1,797	5,527
Under (Over) adjustments in respect of prior years	20	(412)
Subtotal	1,817	5,115
Deferred tax expense:		
Deferred tax expense	188	15
Under adjustments in respect of prior years	22	–
Subtotal	210	15
Total income tax expense	2,027	5,130

The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2013: 17%) to profit before income tax as a result of the following differences:

	Group	
	2014 $'000	2013 $'000
Profit before income tax	10,747	28,012
Add: Share of (profit) loss from equity-accounted associates	(635)	1,833
Less: Share of profit from equity-accounted joint venture	(198)	(90)
	9,914	29,755
Income tax expense at the above rate	1,685	5,058
Non-deductible items	401	657
Tax exemptions	(158)	(152)
Effect of different tax rates in different countries	36	–
Under (Over) adjustments to tax in respect of prior years	42	(412)
Other minor items less than 3%	21	(21)
Total income tax expense	2,027	5,130

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

12B. DEFERRED TAX EXPENSE RECOGNISED IN PROFIT OR LOSS INCLUDES:

	Group	
	2014 $'000	2013 $'000
Excess of net book values of property, plant and equipment over tax values	273	15
Provision	(63)	–
Total deferred tax expense	210	15

12. INCOME TAX (CONT'D)

12C. DEFERRED TAX BALANCE IN THE STATEMENT OF FINANCIAL POSITION:

	Group	
	2014 $'000	2013 $'000
Deferred tax liabilities:		
Excess of net book values of property, plant and equipment over tax values	512	239
Provision	(63)	–
Total deferred tax liabilities	449	239

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

13. DISPOSAL OF SUBSIDIARY

On 10 January 2014, a wholly-owned subsidiary of the company, Hafary Pte Ltd, entered into a sale and purchase agreement to dispose its entire shareholding interest in a wholly-owned subsidiary, Hafary China Pte. Ltd. As at date of sale and purchase agreement, Hafary China Pte. Ltd. holds 45% equity interest in an associate, Hunan Cappuccino Construction Material Co., Limited ("HCCM"), which has been loss-making since its commencement of business in 2012. Investment in HCCM was fully impaired during the financial year ended 30 June 2013. The disposal was completed on 13 February 2014.

The results for the disposed subsidiary for the previous reporting year and for the period from the beginning of the reporting year to 13 February 2014, which have been included in the consolidated financial statements of the group, were as follows:

	Group	
	Period ended 13/02/2014 $'000	Year ended 30/06/2013 $'000
Revenue	–	–
Impairment losses	–	(4,020)
Payables written back	4	–
Other expenses	(4)	(9)
Share of loss from Equity-Accounted Associate	–	(1,875)
Loss before tax	–	(5,904)
Income tax expense	–	–
Loss after tax before disposal	–	(5,904)
Gain on disposal of subsidiary	1,000	
Income tax expense	–	
Net gain on disposal of subsidiary	1,000	

A gain of $999,990 arose on the disposal of Hafary China Pte. Ltd., being the consideration received on disposal less the carrying amount of the subsidiary's net assets. No tax charge or credit arose from this transaction.

13. DISPOSAL OF SUBSIDIARY (CONT'D)

The following table summarises the carrying value of the account balances of Hafary China Pte. Ltd. on the date of disposal:

	Group	
	Period ended 13/02/2014	**Year ended 30/06/2013**
	$'000	**$'000**
Trade and other receivables	– *	– *
Cash and cash equivalents	12	3
Trade and other payables	(12)	(6,095)
Net assets disposed off	–	
Gain on disposal of subsidiary	1,000	
Total consideration	1,000	
Satisfied by:		
Cash proceeds	1,000	

* *Amount less than $1,000.*

The movement of cash-flows of Hafary China Pte. Ltd. for the previous reporting year and for the period from the beginning of the reporting year to 13 February 2014, which have been included in the consolidated financial statements of the group, were as follows:

	Group	
	Period ended 13/02/2014	**Year ended 30/06/2013**
	$'000	**$'000**
Cash flows from operating activities	2	(22)
Cash flows from investing activities	–	–
Cash flows from financing activities	7	15
Total cash flows	9	(7)

14. 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	
	2014 $'000	2013 $'000
Profit, net of tax attributable to owners of the parent	8,048	22,328

	Number of shares	
	2014 '000	2013 '000
Weighted average number of equity shares	429,000	402,479

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 each reporting period.

15. DIVIDENDS ON EQUITY SHARES

	Group and Company	
	2014 $'000	2013 $'000
Final tax exempt (1-tier) dividends paid of 2.5 cent (2013: 1.5 cent) per share on total number of issued ordinary shares of 429,000,000 (2013: 194,500,000)	10,725	2,918
First interim tax exempt (1-tier) dividends paid of 1.0 cent (2013: 2.5 cent) per share on total number of issued ordinary shares of 429,000,000 (2013: 214,500,000)	4,290	5,362
Second interim tax exempt (1-tier) dividends payable of 1.5 cent per share on total number of issued ordinary shares of 429,000,000	–	6,435
Total dividends paid/ payable during the year	15,015	14,715

In respect of the current reporting year, the directors propose that a final dividend of 0.3 cent per share with a total of $1,287,000 to be paid to the shareholders after the next annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next 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 including any new qualifying shares issued up to the date the dividend becomes payable.

16. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Properties $'000	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost:				
At 1 July 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
Additions	15,974	2,202	613	18,789
Reversal	(335)	–	–	(335)
Reclassification	(115)	–	–	(115)
Disposals	–	(503)	(375)	(878)
At 30 June 2014	65,395	6,438	2,313	74,146
Accumulated depreciation:				
At 1 July 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
Depreciation for the year	1,673	646	309	2,628
Disposals	–	(52)	(230)	(282)
At 30 June 2014	2,728	3,012	1,167	6,907
Net book value:				
At 1 July 2012	28,455	2,222	893	31,570
At 30 June 2013	48,816	2,321	987	52,124
At 30 June 2014	62,667	3,426	1,146	67,239

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost:			
At 1 July 2012 and 30 June 2013	2	375	377
Addition	–	423	423
Disposal	–	(375)	(375)
At 30 June 2014	2	423	425
Accumulated depreciation:			
At 1 July 2012	2	112	114
Depreciation for the year	–	75	75
At 30 June 2013	2	187	189
Depreciation for the year	–	65	65
Disposal	–	(231)	(231)
At 30 June 2014	2	21	23
Net book value:			
At 1 July 2012	–	263	263
At 30 June 2013	–	188	188
At 30 June 2014	–	402	402

As at the end of the reporting year, the group's leasehold properties with net book value of $57,469,000 (2013: $48,816,000) are mortgaged for bank facilities (Note 28).

Certain items are under finance lease agreements (Note 28K).

As at the end of the reporting year, the group's leasehold properties include land and building intended for redevelopment with a cost of $9,174,000.

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

	Group 2014 $'000	Group 2013 $'000
Borrowing costs capitalised included in additions during the year	102	307
Accumulated interest capitalised included in the total costs	663	561

17. OTHER ASSET, NON-CURRENT

Group	Land use right $'000
Cost:	
At 1 July 2012 and 30 June 2013	–
Addition	4,804
At 30 June 2014	4,804
Accumulated depreciation:	
At 1 July 2012 and 30 June 2013	–
Depreciation for the year	33
At 30 June 2014	33
Net book value:	
At 1 July 2012 and 30 June 2013	–
At 30 June 2014	4,771

The land use right is for the land in People's Republic of China for group's inventories warehousing facility use. The land use right commenced on 31 December 2013 and expire on 30 December 2050, which is in 37 years time from the date when the right to use was granted to the group. The land use right is amortised over 37 years, being its right for use.

18. DEVELOPMENT PROPERTY

	Group	
	2014 $'000	2013 $'000
At cost:		
At beginning of the year	–	32,265
Amounts incurred during the year	–	9,250
Disposal during the year	–	(41,515)
At end of the year	–	–
Borrowing costs capitalised included in the additions during the year	–	31
Accumulated interest capitalised included in the total costs	–	814

During the reporting year ended 30 June 2013, the group disposed off the development property at 82 Lorong 23 Geylang, Singapore 388409 (former address: 79 Aljunied Road, Singapore 389822) after the risks and rewards of ownership of the development property were transferred to the purchasers, following the issuance of temporary occupancy permit in December 2012.

The development property was mortgaged to secure bank loans relating to acquisition and development of the property. During the reporting year ended 30 June 2013, the interest expense capitalised in the development property was at 2.07% per annum of the drawdown loan amount. The security was discharged upon full repayment of the bank loans in November 2012.

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19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 **$'000**	**2013** **$'000**
Unquoted equity shares at cost	9,239	9,239
Net book value of subsidiaries	29,915	12,495
Analysis of amounts denominated in non-functional currency:		
United States dollar	8,129	–

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 2014 $'000	Cost in books of the company 2013 $'000	Effective percentage of equity held 2014 %	Effective percentage of equity held 2013 %
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			100	80
Hafary Centre Pte. Ltd. #a Singapore Investment holding			100	100
Hafary China Pte. Ltd. #c Singapore Investment holding			–	100
Hafary Vietnam Pte. Ltd. #a Singapore Investment holding			100	100

19. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in books of the company 2014 $'000	Cost in books of the company 2013 $'000	Effective percentage of equity held 2014 %	Effective percentage of equity held 2013 %
<u>Held through Hafary Pte Ltd (Cont'd):</u>				
Hafary International Pte. Ltd. #a Singapore Importing and distribution of building materials			100	100
Marble Trends Pte. Ltd. #a #e (Formerly known as Mediterranean Trends Pte. Ltd.) Singapore Dormant			100	50
World Furnishing Hub Pte. Ltd. #a #d Singapore (Incorporated on 2 July 2013) Investment holding			46	–
<u>Held through Hafary International Pte. Ltd.:</u>				
Foshan Hafary Trading Co., Limited #b People's Republic of China (Incorporated on 16 July 2013) Importing, exporting and distribution of building materials (Ruihua Certified Public Accountants Shanghai Branch)			100	–

#a Audited by RSM Chio Lim LLP, a member firm of RSM International.
#b Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.
#c During the reporting year, Hafary China Pte. Ltd. was disposed for a cash consideration of $1,000,000 (Note 13).
#d The group considers World Furnishing Hub Pte. Ltd. ("WFH") as a subsidiary as the group has management control over WFH through its indirect interest in WFH, via a director and a substantial shareholder.
#e Hafary Pte Ltd acquired the remaining 50% equity interest of joint venture, Marble Trends Pte. Ltd. ("MTPL"), during the reporting year ended 30 June 2014. Consequently, MTPL became a subsidiary.

20. INVESTMENTS IN ASSOCIATES

	Group	
	2014 **$'000**	**2013** **$'000**
Unquoted equity shares at cost	2,061	7,302
Goodwill at cost	758	1,565
Allowance for impairment	–	(4,020)
Share of post-acquisition profit	677	(1,986)
	3,496	2,861
Movements in carrying value:		
At beginning of the year	2,861	5,895
Additions	–	2,819
Allowance for impairment	–	(4,020)
Share of profit (loss) for the year	635	(1,833)
At end of the year	3,496	2,861

The cost of investment in associate as at 30 June 2014 is denominated in Vietnamese Dong.

For the reporting year ended 30 June 2013, the carrying value of the investment in Hunan Cappuccino Construction Materials Co., Limited ("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:

	Effective percentage of equity held	
Name of associates, country of incorporation, place of operations and principal activities (and independent auditors)	**2014** **%**	**2013** **%**
Hunan Cappuccino Construction Materials Co., Limited ("HCCM") #a #b People's Republic of China (Disposed on 13 February 2014) Manufacturing and trading of ceramic tiles and building materials (RSM China CPA Firm Shanghai International Division)	–	45
Viet Ceramics International Joint Stock Company ("VCI") #b Socialist Republic of Vietnam Importer and dealer of building materials (RSM DTL Auditing Company)	49	49

#a Hafary China Pte. Ltd. which held HCCM was disposed during the reporting year (Note 13). Consequently, the group ceased to hold any equity interest in HCCM.

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

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30 June 2014

20. 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 associate: 2014	Assets $'000	Liabilities $'000	Revenues $'000	Profit for the year $'000
VCI	9,540	4,070	13,653	1,296

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

21. INVESTMENTS IN JOINT VENTURES

	Group	
	2014 $'000	2013 $'000
Unquoted equity shares at cost	100	100
Share of post-acquisition profits, net of dividends	178	60
	278	160
Movements in carrying value:		
At beginning of the year	160	–
Additions	–	100
Share of profit for the year	198	90
Dividends	(80)	(30)
At end of the year	278	160

The joint venture held by the group is listed below:

Name of joint ventures, country of incorporation, place of operations and principal activities	Effective percentage of equity held 2014 %	2013 %
Melmer Stoneworks Pte. Ltd. #a Singapore Cutting, shaping and finishing of stone	50	50

#a Audited by RSM Chio Lim LLP, a member firm of RSM International.

21. INVESTMENTS IN JOINT VENTURES (CONT'D)

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

	Group	
	2014 $'000	2013 $'000
Assets	1,137	670
Liabilities	581	350
Revenue	2,499	1,220
Profit for the year	396	180

22. OTHER FINANCIAL ASSET

	Group and Company	
	2014 $'000	2013 $'000
Balance is made up of:		
Quoted equity investment at fair value through profit or loss	1,247	–
Movements during the year:		
Fair value at beginning of the year	–	–
Addition	1,058	–
Increase in fair value through profit or loss (Note 7)	189	–
Fair value at end of the year (Level 1)	1,247	–

There are no investment pledged as security for liabilities.

Sensitivity analysis for price risk of equity shares is disclosed in Note 33H.

23. INVENTORIES

	Group	
	2014 $'000	2013 $'000
Goods held for resale	41,356	35,054
Inventories are stated after allowance. Movement in allowance:		
Balance at beginning of the year	1,194	823
Charged to profit or loss included in impairment losses (Note 9)	135	371
Amount written off	(26)	–
Balance at end of the year	1,303	1,194

There are no inventories pledged as security for liabilities.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables:				
Outside parties	23,906	22,979	3	4
Less: Allowance for impairment	(1,199)	(1,385)	–	–
Subsidiaries (Note 3)	–	–	3,563	3,717
Joint venture (Note 3)	82	63	–	–
Associate (Note 3)	238	–	–	–
Other related parties (Note 3)	452	468	–	–
Director (Note 3)	263	–	–	–
Due from customers on work in progress contracts (24A)	253	409	–	–
Subtotal	23,995	22,534	3,566	3,721
Other receivables:				
Subsidiaries (Note 3)	–	–	22,018	36,553
Less: Allowance for impairment (Note 3)	–	–	–	(5,861)
Joint venture (Note 3)	302	180	–	–
Associate (Note 3)	1,291	–	–	–
Staff loans	9	13	–	–
Refundable deposits	568	557	–	–
Receivable from disposal of development property	–	6,528	–	–
Others	655	157	255	–
Subtotal	2,825	7,435	22,273	30,692
Total trade and other receivables	26,820	29,969	25,839	34,413
Movements in above allowance:				
Balance at beginning of the year	1,385	1,078	5,861	–
Charged to profit or loss included in impairment losses (Note 9)	240	434	–	5,861
Reversed to profit or loss included in impairment losses (Note 9)	(44)	(127)	–	–
Bad debts written off	(382)	–	(5,861)	–
Balance at end of the year	1,199	1,385	–	5,861

24A. DUE FROM CUSTOMERS ON WORK IN PROGRESS CONTRACTS

	Group	
	2014 $'000	2013 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	838	2,207
Less: progress payments received and receivable to date	(585)	(1,798)
Net amount due from contract customers at end of the year	253	409

25. OTHER ASSETS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Advance payments to suppliers	4,023	5,283	–	–
Prepayments	139	180	13	41
Deposits to secure services	108	576	–	–
Total other assets	4,270	6,039	13	41

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not restricted in use	4,775	9,583	120	2,051
Restricted in use #a	82	–	–	–
	4,857	9,583	120	2,051

The interest earning balances are not significant.

#a This is for amount held on behalf of owners of development property (Note 18) to settle utilities expenses.

26A. CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS:

	Group	
	2014 $'000	2013 $'000
Amount as shown above	4,857	9,583
Restricted in use	(82)	–
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the year	4,775	9,583

26B. NON-CASH TRANSACTION:

These were acquisitions of certain assets under property, plant and equipment with a total cost of $214,000 (2013: $276,000) acquired by means of finance leases.

27. SHARE CAPITAL

Group and Company:	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 July 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 and 30 June 2014	429,000	26,634

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.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

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 on the Mainboard 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.

27. SHARE CAPITAL (CONT'D)

	Group	
	2014 $'000	2013 $'000
Net debt:		
All current and non-current borrowings including finance leases	91,642	64,566
Less: Cash and cash equivalents	(4,857)	(9,583)
	86,785	54,983
Adjusted capital:		
Total equity	40,284	46,751
Debt-to-adjusted capital ratio	215.4%	117.6%

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debt.

28. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current:				
Bank loans A (secured) (Note 28A)	76	369	–	–
Bank loans D (secured) (Note 28D)	15,826	16,602	–	–
Bank loans E (secured) (Note 28E)	13,314	–	–	–
Bank loans G (secured) (Note 28G)	7,352	–	–	–
Finance leases (Note 28K)	373	409	165	101
Non-current, total	36,941	17,380	165	101
Current:				
Bank loans A (secured) (Note 28A)	294	1,194	–	–
Bank loan B (secured) (Note 28B)	4,000	2,503	–	–
Bank loan C (secured) (Note 28C)	1,500	1,500	–	–
Bank loans D (secured) (Note 28D)	770	765	–	–
Bank loan E (secured) (Note 28E)	1,145	15,473	–	–
Bank loan F (secured) (Note 28F)	3,000	–	–	–
Bank loan H (secured) (Note 28H)	5,000	–	–	–
Bank loan I (secured) (Note 28I)	19,848	–	–	–
Trust receipts and bills payable (Note 28J)	19,006	25,579	–	–
Finance leases (Note 24K)	138	172	39	61
Current, total	54,701	47,186	39	61
Total	91,642	64,566	204	162

The non-current portion is repayable as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Due within 2 to 5 years	17,948	4,752	165	101
After 5 years	18,993	12,628	–	–
Total non-current portion	36,941	17,380	165	101

28. OTHER FINANCIAL LIABILITIES (CONT'D)

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

	Group	
	2014	2013
Bank loans A (secured)	2.4%	2.32% to 2.39%
Bank loan B (secured)	1.96% to 2.12%	1.87% to 2.52%
Bank loan C (secured)	2.00%	1.87%
Bank loan D (secured)	1.70% to 2.12%	1.85% to 2.30%
Bank loans E (secured)	1.94% to 1.95%	2.07% to 2.11%
Bank loans F (secured)	2.11% to 2.15%	–
Bank loan G (secured)	1.8%	–
Bank loan H (secured)	2.00% to 2.05%	–
Bank loan I (secured)	1.98% to 2.14%	–
Trust receipts and bills payable	1.43% to 6.00%	1.70% to 3.48%

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

	Group	
	2014	2013
Finance leases	1.30% to 2.50%	1.30% to 2.50%

28A. 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 years from September 2011 (2013: over 3 to 4 years from December 2009 and September 2011 respectively).
(ii) First legal mortgage over the leasehold properties with carrying values of $2,883,000 (2013: $3,364,000) (Note 16).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

28B. BANK LOAN B (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).
(ii) First legal mortgage over the leasehold property with a carrying value of $1,632,000 (2013: $1,821,000) (Note 16).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

28. OTHER FINANCIAL LIABILITIES (CONT'D)

28C. 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).
(ii) Corporate guarantee from the company.
(iii) Need to comply with certain financial covenants.

28D. BANK LOANS D (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 Occupancy Permit or on 30 June 2013, whichever is earlier.
(iii) A first legal mortgage over the leasehold property with a carrying value of $23,097,000 (2013: $23,954,000) (Note 16).
(iv) Corporate guarantees from the company of $19,160,000 (2013: $19,160,000).
(v) Need to comply with certain financial covenants.

28E. BANK LOANS E (SECURED)

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

In December 2013, the above loans had been refinanced using a term loan.

The agreement for the term loan provide among other matters for the following:

(i) The term loan is repayable by equal monthly instalments over 12 years from the drawdown date of the term loan.
(ii) A first legal mortgage over the leasehold property with a carrying value of $20,682,000 (2013: $21,498,000) (Note 16).
(iii) Legal assignment of current and future rental proceeds from the leasehold property and insurance proceeds in respect of the leasehold property.
(iv) Corporate guarantees from the company and certain subsidiary of $38,116,000 each.
(v) Need to comply with certain financial covenants.

28F. BANK LOAN F (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 of up to 6 months).
(ii) A first legal mortgage over the leasehold property with a carrying value of $23,097,000 (Note 16).
(iii) Corporate guarantee from the company of $19,160,000.
(iv) Need to comply with certain financial covenants.

28. OTHER FINANCIAL LIABILITIES (CONT'D)

28G. BANK LOAN G (SECURED)

This relates to loan for financing in relation to the leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236.

The agreement for the bank loan provide among other matters for the following:

(i) Fully repayable by one lump sum within 3 months after issuance of the Temporary Occupancy Permit or on 31 July 2016, whichever is earlier.
(ii) A first legal mortgage over the leasehold property (Note 16) and the proposed development to be erected thereon into a 7-storey industrial building for industrial and commercial purposes.
(iii) Joint and several corporate guarantees from the company and certain subsidiary of $29,901,300 and personal guarantees from a director of $12,350,500 and a substantial shareholder of $16,228,200.
(iv) Need to comply with certain financial covenants.

28H. BANK LOAN H (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).
(ii) First legal mortgage over the leasehold property with a carrying value of $2,883,000 (Note 16).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

28I. BANK LOAN I (SECURED)

These relate to loans for working capital purpose.

(i) Fully repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) A first legal mortgage over the leasehold property with a carrying value of $20,682,000 (Note 16).
(iii) Corporate guarantees from the company and certain subsidiary of $38,116,000 each.
(iv) Need to comply with certain financial covenants.

28J. TRUST RECEIPTS AND BILLS PAYABLE

These are repayable within 150 to 180 days (2013: 150 to 180 days) and are guaranteed by the company.

28. OTHER FINANCIAL LIABILITIES (CONT'D)

28K. FINANCE LEASES

Group:	Minimum payments $'000	Finance charges $'000	Present value $'000
2014			
Minimum lease payments payable:			
Due within one year	155	(17)	138
Due within 2 to 5 years	396	(23)	373
Total	551	(40)	511
Net book values of motor vehicles under finance leases			754
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 values of motor vehicles under finance leases			706

Company:	Minimum payments $'000	Finance charges $'000	Present value $'000
2014			
Minimum lease payments payable:			
Due within one year	48	(9)	39
Due within 2 to 5 years	181	(16)	165
Total	229	(25)	204
Net book value of motor vehicle under finance leases			402
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

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:

	2014	2013
Average lease term in years	4	4
Fixed rate of interest per annum	1.30% to 2.50%	1.30% to 2.50%

29. PROVISION

	Group	
	2014 $'000	2013 $'000
Provision for rebates	369	328
Movements in above provision:		
Balance at beginning of the year	328	276
Additions	369	328
Used	(328)	(276)
Balance at end of the year	369	328

The group provides for rebates given to customers for settlement made within credit terms.

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables:				
Outside parties and accrued liabilities	12,094	10,283	623	1,551
Joint venture (Note 3)	282	173	–	–
Related party (Note 3)	2	–	–	–
Subtotal	12,378	10,456	623	1,551
Other payables:				
Subsidiaries (Note 3)	–	–	8,001	–
Joint venture (Note 3)	52	–	–	–
Directors (Note 3)	549	2,867	–	2,867
Shareholders (Note 3)	722	3,568	–	3,568
Outside parties	1,243	1,292	–	–
Subtotal	2,566	7,727	8,001	6,435
Total trade and other payables	14,944	18,183	8,624	7,986

31. OTHER LIABILITIES

	Group	
	2014 $'000	2013 $'000
Advance payments from customers	826	592
Total other liabilities	826	592

32. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group	
	2014 $'000	2013 $'000
(Liabilities) Assets - Derivative with (negative) positive fair value:		
Forward currency contracts – non-hedging instruments	(104)	197
The movements during the year were as follows:		
Balance at beginning of the year	197	(43)
(Losses) gains in profit or loss under (other charges) other credits (Note 7)	(301)	240
Balance at end of the year	(104)	197

32A. 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
Maturity	Principal '000	Fair value $'000	Principal '000	Fair value $'000	Fair value $'000
2014:					
Within 8 months	6,750	(104)	–	–	(104)
	6,750	(104)	–	–	(104)
2013:					
Within the next 2 months	292	8	240	6	14
Within 3 to 4 months	3,843	108	593	32	140
Within 5 to 6 months	1,000	33	237	10	43
	5,135	149	1,070	48	197

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.

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

33A. 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets:				
Cash and bank balances	4,857	9,583	120	2,051
Loans and receivables	26,820	29,969	25,839	34,413
Other financial asset at fair value through profit or loss	1,247	–	1,247	–
Financial assets at fair value through profit or loss	–	197	–	–
	32,924	39,749	27,206	36,464
Financial liabilities:				
Other financial liabilities at amortised cost	91,642	64,566	204	162
Trade and other payables at amortised cost	14,944	18,183	8,624	7,986
Financial liabilities at fair value through profit or loss	104	–	–	–
	106,690	82,749	8,828	8,148

Further quantitative disclosures are included throughout these financial statements.

33B. 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. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price 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.

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33C. FAIR VALUES OF FINANCIAL INSTRUMENTS

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. 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.

33D. 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, receivables and certain other financial assets. 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 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 counter-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 with customers 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 receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 26 discloses the maturity of the cash and cash equivalents balances.

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 (2013: 60 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2014 $'000	**2013 $'000**
Trade receivables:		
61 to 90 days	3,523	3,316
Over 90 days	8,935	7,946
Total	12,458	11,262

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

	Group	
	2014 $'000	**2013 $'000**
Trade receivables:		
Over 90 days	1,199	1,385

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $1,199,000 (2013: $1,385,000) 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.

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33E. LIQUIDITY RISK – FINANCIAL LIABILITIES MATURITY ANALYSIS

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

Non-derivative financial liabilities: **Group**	**Less than 1 year** $'000	**2 to 5 years** $'000	**More than 5 years** $'000	**Total** $'000
2014:				
Gross borrowings commitments	55,834	20,033	20,814	96,681
Gross finance lease obligations	155	396	–	551
Trade and other payables	14,944	–	–	14,944
	70,933	20,429	20,814	112,176
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

Non-derivative financial liabilities: **Company**	**Less than 1 year** $'000	**2 to 5 years** $'000	**Total** $'000
2014:			
Gross finance lease obligations	48	181	229
Trade and other payables	8,624	–	8,624
	8,672	181	8,853
2013:			
Gross finance lease obligations	66	104	170
Trade and other payables	7,986	–	7,986
	8,052	104	8,156

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):

Derivative financial liabilities:	**Less than 1 year** 2014 $'000	2013 $'000
Group		
Forward currency contracts	8,449	8,051

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30 June 2014

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33E. LIQUIDITY RISK – FINANCIAL LIABILITIES MATURITY ANALYSIS (CONT'D)

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. At the end of the reporting year no claims on the financial guarantees are expected to be payable.

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:

Group	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	Total $'000
2014:				
Financial guarantee contracts in favour of an associate (Note 3)	–	–	–	–
2013:				
Financial guarantee contracts in favour of an associate (Note 3)	452	3,161	–	3,613

Company	Less than 1 year $'000	1 to 3 years $'000	3 to 5 Years $'000	Total $'000
2014:				
Financial guarantee contracts in favour of subsidiaries (Note 3)	54,564	13,981	18,993	87,538
2013:				
Financial guarantee contracts in favour of subsidiaries (Note 3)	46,985	4,342	12,628	63,955

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 (2013: 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 sufficient cash inflows.

Bank facilities:

	Group 2014 $'000	Group 2013 $'000
Undrawn borrowing facilities	76,673	22,832
Unused bank guarantees	634	637

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33E. LIQUIDITY RISK – FINANCIAL LIABILITIES MATURITY ANALYSIS (CONT'D)

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.

33F. INTEREST RATE RISK

The interest rate risk exposure is from changes in fixed and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. 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	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Financial liabilities:				
Fixed rates	511	581	204	162
Floating rates	91,131	63,985	–	–
	91,642	64,566	204	162

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	
	2014 $'000	**2013 $'000**
A hypothetical increase in interest rates by 10 basis points with all other variables held constant would have decreased pre-tax profit by	92	65

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).

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33G. FOREIGN CURRENCY RISK

Analysis of amounts denominated in non-functional currency:

Group: Financial liabilities:	United States dollar $'000	Euro $'000	Renminbi $'000	Total $'000
2014:				
Other financial liabilities	10,849	4,703	–	15,552
Trade and other payables	1,058	461	702	2,221
	11,907	5,164	702	17,773
2013:				
Other financial liabilities	14,323	5,040	–	19,363
Trade and other payables	251	360	–	611
	14,574	5,400	–	19,974

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 32A illustrates the forward currency contracts in place at the end of the reporting year.

Sensitivity analysis:

	Group	
	2014 $'000	2013 $'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 a favourable effect on pre-tax profit of:		
United States dollar	1,191	1,457
Euro	516	540
Renminbi	70	–

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.

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.

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33H. EQUITY PRICE RISK

There are investments in equity shares or similar instruments. Such investments are exposed to market price risk arising from uncertainties about future values of the investment securities.

Sensitivity analysis:

	Group	
	2014	**2013**
	$'000	**$'000**
A hypothetical 10% increase in the market index of quoted equity shares would have an effect on pre-tax profit of:	125	–

For similar price decreases in the fair value of the above financial assets, there would be comparable impacts in the opposite direction.

34. 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	
	2014	**2013**
	$'000	**$'000**
Commitments to construct or develop leasehold properties	638	2,948
Commitments to purchase property, plant and equipment	308	3

35. 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	
	2014	**2013**
	$'000	**$'000**
Not later than one year	2,230	1,904
Later than one year and not later than five years	4,719	4,813
Later than five years	15,910	14,266
Rental expense for the year	2,191	2,400

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.

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30 June 2014

36. OPERATING LEASE INCOME COMMITMENTS

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

	Group	
	2014 $'000	2013 $'000
Not later than one year	1,145	216
Later than one year and not later than five years	1,334	324
Rental income for the year	924	91

Operating lease income commitments are for certain leasehold properties. The lease rental income terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of rent increase is not to exceed a certain percentage.

37. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year, 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	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)
FRS 16	Amendment to FRS 16 Property, Plant and Equipment (Annual Improvements)
FRS 19	Employee Benefits (Revised)
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)
FRS 36	FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (early adoption) (*)
FRS 107	Amendments to FRS 32 and 107 Titled Offsetting Financial Assets and Financial Liabilities
FRS 113	Fair Value Measurements
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

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38. 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
FRSs	Improvements to FRSs (January 2014)	1 July 2014
FRSs	Improvements to FRSs (February 2014)	1 July 2014
FRS 19	Amendments to FRS 19: Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 27	Separate Financial Statements (Revised)	1 January 2014
FRS 28	Investments in Associates and Joint Ventures (Revised)	1 January 2014
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (*)	1 January 2014
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting	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 110	Amendments to FRS 110, FRS 111 and FRS 112	1 January 2014
FRS 114	Regulatory Deferral Accounts (*)	1 January 2016
INT FRS 121	Levies (*)	1 January 2014

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2014

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	0.10	500	0.00
1,000 - 10,000	178	18.05	1,353,500	0.32
10,001 - 1,000,000	785	79.62	60,030,000	13.99
1,000,001 AND ABOVE	22	2.23	367,616,000	85.69
TOTAL	**986**	**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.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2014

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	BANK OF SINGAPORE NOMINEES PTE. LTD.	74,540,000	17.38
2	LOW KOK ANN	68,000,000	15.85
3	DB NOMINEES (SINGAPORE) PTE LTD	45,000,000	10.49
4	LOW BEE LAN AUDREY	41,104,000	9.58
5	HONG LEONG FINANCE NOMINEES PTE LTD	35,760,000	8.34
6	LOW SEE CHING (LIU SHIJIN)	30,600,000	7.13
7	CHING CHIAT KWONG	21,000,000	4.90
8	UOB KAY HIAN PRIVATE LIMITED	10,211,000	2.38
9	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	10,000,000	2.33
10	DBS NOMINEES (PRIVATE) LIMITED	5,323,000	1.24
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,725,000	1.10
12	LOW EE HWEE	3,595,000	0.84
13	OCBC SECURITIES PRIVATE LIMITED	2,962,000	0.69
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,357,000	0.55
15	PHOON WAIE KUAN	2,332,000	0.54
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,703,000	0.40
17	HL BANK NOMINEES (SINGAPORE) PTE LTD	1,574,000	0.37
18	KONG KWAI CHING OR TAN POH LEE	1,552,000	0.36
19	WEE SHU MIN CAROLINE (HUANG SHUMIN CAROLINE)	1,532,000	0.36
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,377,000	0.32
	TOTAL	**365,247,000**	**85.15**

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, 31 October 2014 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 2014 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare final dividend of 0.3 cent per ordinary share one-tier tax-exempt for the year ended 30 June 2014 (FY2013: 2.5 cents per ordinary share) **(Resolution 2)**

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

   Mr Low Kok Ann **(Resolution 3)**
   Mr Ong Beng Chye **(Resolution 4)**

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

4. To approve the payment of Directors' Fees of S$154,000 for the year ended 30 June 2014 (FY2013: S$110,000*).* **(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 (excluding treasury 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 (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(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 (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury 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 bonus issue, 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. **Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Hafary Performance Share Plan ("the Plan") and to allot and issue and/or deliver such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of shares to be delivered pursuant to the Plan, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority 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.

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

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary

Singapore, 16 October 2014

NOTICE OF ANNUAL GENERAL MEETING

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 (excluding treasury 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 (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury 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 bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting 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 offer and grant awards under the Plan in accordance with the provision of the Plan and to deliver from time to time such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan up to a number not exceeding in aggregate (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 105 Eunos Avenue 3 Hafary Centre Singapore 409836 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their 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 Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____________________

of ____________________

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 31 October 2014 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 2014		
2	Payment of proposed final dividend		
3	Re-election of Mr Low Kok Ann as a Director		
4	Re-election of Mr Ong Beng Chye as a Director		
5	Approval of Directors' Fees amounting to S$154,000		
6	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditors		
7	Authority to issue shares		
8	Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan		

Dated this ____________ day of ________________ 2014

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.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 16 October 2014.

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 Hafary Centre Singapore 409836
Tel: 6250 1368 Fax: 6383 1536
Email: eunosshowroom@hafary.com.sg

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

BALESTIER
560 Balestier Road Singapore 329876
Tel: 6250 1369 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 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 Hafary Centre
Singapore 409836

ENGAGE
MEDIA
+65 6773 0887