Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Six Months Ended 30 June 2022

	Notes	2022 $'000	2021 $'000	Change %
Revenue	2	71,273	58,475	21.9
Interest income		59	62	(4.8)
Other income and gains		3,366	2,925	15.1
Changes in inventories of goods held for resale		8,991	2,207	307.4
Purchases and related costs		(48,051)	(33,909)	41.7
Employee benefits expense		(11,223)	(10,368)	8.3
Depreciation expense		(3,334)	(2,434)	37.0
Depreciation of right-of-use assets		(1,207)	(1,126)	7.1
Impairment losses		(425)	(3,332)	(87.2)
Other losses		(2)	(74)	(97.3)
Finance costs		(1,876)	(1,500)	25.1
Other expenses		(6,104)	(4,799)	27.2
Share of profit (loss) from an equity-accounted associate		1,609	(47)	3,523.4
Share of profit from equity-accounted joint ventures		100	383	(73.9)
Profit before income tax		13,176	6,463	103.9
Income tax expense	4	(2,361)	(1,055)	123.8
Profit, net of tax		10,815	5,408	100.0
Other comprehensive (loss) income				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations, net of tax		(456)	591	(177.2)
Total comprehensive income for the year, net of tax		10,359	5,999	72.7
Profit attributable to:				
- Owners of the parent, net of tax		10,385	5,090	104.0
- Non-controlling interests, net of tax		430	318	35.2
		10,815	5,408	100.0
Total comprehensive income attributable to:				
- Owners of the parent		9,929	5,681	74.8
- Non-controlling interests		430	318	35.2
		10,359	5,999	72.7
		Cents	Cents	
Earnings per share				
Basic and diluted		2.41	1.18	

Additional Information on the Interim Consolidated Statement of Profit or Loss
For The Six Months Ended 30 June 2022

The following significant items of gains / (charges) were included in the statement of profit or loss.

	2022 $'000	2021 $'000	Change %
Rental income	2,462	1,852	32.9
Interest expense on borrowings	(1,665)	(1,319)	26.2
Interest expense on lease liabilities	(211)	(181)	16.6
Interest income	59	62	(4.8)
Depreciation of investment property	(9)	(9)	–
Depreciation of property, plant and equipment	(3,325)	(2,425)	37.1
Depreciation of right-of-use assets	(1,207)	(1,126)	7.2
Reversal – individually impaired	148	4	3,600.0
(Additions) reversal – collectively impaired	(59)	62	(195.2)
Bad debts recovered – trade receivables	–	10	(100.0)
Bad debts written-off – trade receivables	–	(27)	(100.0)
Net allowance for impairment of inventories	(514)	(3,381)	(84.8)
Foreign exchange adjustment gain (loss)	240	(6)	4,100.0
Fair value loss on derivative financial instruments, net	(2)	(34)	(94.1)
Gain on disposal of plant and equipment	2	–	N.M.
Government grants	343	955	(64.1)

N.M.: Not meaningful.

Condensed Interim Statements of Financial Position
As at 30 June 2022

		Group		Company	
	Notes	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	6	102,953	94,612	126	173
Right-of-use assets	7	71,952	71,751	–	–
Investment property		4,163	4,172	–	–
Investments in subsidiaries		–	–	9,239	9,239
Investment in an associate	8	18,334	17,507	–	–
Investments in joint ventures	9	2,713	2,805	–	–
Other financial assets		340	340	340	340
Total non-current assets		200,455	191,187	9,705	9,752
Current assets					
Inventories	10	54,726	46,249	–	–
Trade and other receivables	11	37,729	35,733	31,067	31,065
Other non-financial assets		6,244	6,784	97	85
Cash and cash equivalents		6,243	6,070	18	20
Total current assets		104,942	94,836	31,182	31,170
Total assets		305,397	286,023	40,887	40,922
EQUITY AND LIABILITIES					
Equity					
Share capital	12	26,930	26,930	26,930	26,930
Retained earnings		51,592	48,612	3,577	3,531
Foreign currency translation reserve	13	(523)	(67)	–	–
Equity, attributable to owners of the parent		77,999	75,475	30,507	30,461
Non-controlling interests		2,575	1,931	–	–
Total equity		80,574	77,406	30,507	30,461
Non-current liabilities					
Deferred tax liabilities		905	953	–	–
Loans and borrowings, non-current	15, 16	116,554	112,924	–	–
Lease liabilities, non-current	15, 17	13,336	12,491	26	51
Total non-current liabilities		130,795	126,368	26	51
Current liabilities					
Income tax payable		3,790	2,688	–	–
Provision	18	895	924	–	–
Trade and other payables		17,485	17,668	10,304	10,360
Derivative financial liabilities		66	64	–	–
Loans and borrowings, current	15, 16	66,023	55,142	–	–
Lease liabilities, current	15, 17	1,011	926	50	50
Other non-financial liabilities		4,758	4,837	–	–
Total current liabilities		94,028	82,249	10,354	10,410
Total liabilities		224,823	208,617	10,380	10,461
Total equity and liabilities		305,397	286,023	40,887	40,922

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

Condensed Interim Statements of Changes in Equity
For The Six Months Ended 30 June 2022

Group:	Total equity $'000	Attributable to parent subtotal $'000	Share capital $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000
Current period:						
Opening balance at 1 January 2022	77,406	75,475	26,930	48,612	(67)	1,931
Changes in equity:						
Total comprehensive income (loss) for the year	10,359	9,929	–	10,385	(456)	430
Dividends paid (Note 5)	(3,229)	(3,229)	–	(3,229)	–	–
Dividends paid to non-controlling interests in subsidiaries	(942)	–	–	–	–	(942)
Acquisition of a non-controlling interest without a change in control (#)	(3,020)	(4,176)	–	(4,176)	–	1,156
Closing balance at 30 June 2022	80,574	77,999	26,930	51,592	(523)	2,575
Previous period:						
Opening balance at 1 January 2021	73,468	71,309	26,930	45,580	(1,201)	2,159
Changes in equity:						
Total comprehensive income for the year	5,999	5,681	–	5,090	591	318
Dividends paid (Note 5)	(3,229)	(3,229)	–	(3,229)	–	–
Dividends paid to non-controlling interests in subsidiaries	(1,200)	–	–	–	–	(1,200)
Closing balance at 30 June 2021	75,038	73,761	26,930	47,441	(610)	1,277

(#) On 17 January 2022, the company's subsidiary, Hafary Pte Ltd acquired an additional 30% equity interest in World Furnishing Hub Pte Ltd ("WFH") from its non-controlling interest for a cash consideration of $3,020,000.

The carrying value of the non-controlling interest acquired in WFH was -$1,156,000. The difference between the consideration and the carrying value of the additional interest acquired of $4,176,000 has been recognised as "acquisition of a non-controlling interest without a change in control" and accounted within equity of the group.

Condensed Interim Statements of Changes in Equity (cont'd)
For The Six Months Ended 30 June 2022

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current period:			
Opening balance at 1 January 2022	30,461	26,930	3,531
Changes in equity:			
Total comprehensive income for the year	3,275	–	3,275
Dividends paid (Note 5)	(3,229)	–	(3,229)
Closing balance at 30 June 2022	30,507	26,930	3,577
Previous period:			
Opening balance at 1 January 2021	30,380	26,930	3,450
Changes in equity:			
Total comprehensive income for the year	3,263	–	3,263
Dividends paid (Note 5)	(3,229)	–	(3,229)
Closing balance at 30 June 2021	30,414	26,930	3,484

Condensed Interim Consolidated Statement of Cash Flows
For The Six Months Ended 30 June 2022

	2022 $'000	2021 $'000
Cash flows from operating activities		
Profit before income tax	13,176	6,463
Adjustments for:		
Interest expense on borrowings	1,665	1,319
Interest expense on lease liabilities	211	181
Interest income	(59)	(62)
COVID-19 related rent concessions from lessors	–	(14)
Depreciation of property, plant and equipment	3,325	2,425
Depreciation of right-of-use assets	1,207	1,126
Depreciation of investment property	9	9
Gain on disposal of plant and equipment	(2)	–
Share of (profit) loss from an equity-accounted associate	(1,609)	47
Share of profit from equity-accounted joint ventures	(100)	(383)
Net effect of exchange rate changes in consolidating subsidiaries	(144)	(48)
Operating cash flows before changes in working capital	17,679	11,063
Inventories	(8,477)	712
Trade and other receivables	(3,537)	(2,523)
Other non-financial assets	282	(1,562)
Provision	(29)	149
Trade and other payables	1,457	1,603
Derivative financial assets / liabilities	2	34
Other non-financial liabilities	(79)	(556)
Net cash flows from operations	7,298	8,920
Income taxes paid	(1,304)	(782)
Net cash flows from operating activities	5,994	8,138
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(10,506)	(19,065)
Proceeds from disposal of plant and equipment	4	11
Deposit paid for property acquisition	(713)	–
Net movements in amount due from an associate	1,381	(2,705)
Net movements in amount due from joint ventures	(16)	(232)
Dividend income from associate	702	–
Dividend income from joint ventures	137	350
Interest income received	18	22
Net cash flows used in investing activities	(8,993)	(21,619)

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Six Months Ended 30 June 2022

	2022 $'000	2021 $'000
Cash flows from financing activities		
Dividends paid to equity owners	(3,229)	(3,229)
Dividends paid to non-controlling interests	(942)	(1,200)
Net movements in amounts due to a director cum a shareholder	(576)	(421)
Net movements in amounts due to a shareholder	(1,108)	(555)
Lease liabilities – principal portion paid	(766)	(674)
Increase in trust receipts and bills payable	7,769	11,465
Increase from new borrowings	12,609	14,800
Decrease in loans and borrowings	(5,866)	(6,426)
Interest expense paid	(1,724)	(1,275)
Acquisition of a non-controlling interest without a change in control	(3,020)	–
Net cash flows from financing activities	3,147	12,485
Net increase (decrease) in cash and cash equivalents	148	(996)
Net effect of exchange rate changes on cash and cash equivalents	25	19
Cash and cash equivalents, beginning balance	6,070	5,211
Cash and cash equivalents, ending balance	6,243	4,234

Note A: Purchase of property, plant and equipment

During the reporting period, the group acquired property, plant and equipment with an aggregate cost of $11,796,000 (30 June 2021: $19,273,000). $7,024,000 (30 June 2021: $12,800,000) additions of property, plant and equipment were financed through bank loan.

Notes to the Financial Statements
30 June 2022

1. General

Hafary Holdings Limited (the "company") is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") and the subsidiaries. The registered office and principal place of business of the company is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836.

The board of directors approved and authorised these condensed interim financial statements for issue on the date of this announcement.

The company is listed on the Main Board of Singapore Exchange Securities Trading Limited.

The principal activities of the group are disclosed in Note 2 on segment information.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS (I) s") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. They are also in compliance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the provisions of the SGX Mainboard Listing Rules.

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those of the latest audited annual financial statements. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position the group since the latest audited annual financial statements.

Critical judgements, assumptions and estimation uncertainties

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. The nature and the carrying amount of such significant assets and liabilities are disclose with further details in the relevant Notes to these condensed consolidated interim financial statements.

1. General (cont'd)

Critical judgements, assumptions and estimation uncertainties (cont'd)

Assessment of expected credit loss allowance on trade receivables:
The assessment of the expected credit losses ("ECL") requires a degree of estimation and judgement. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions. The carrying amounts might change materially within the next reporting year but these changes may 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.

Assessment of allowance on inventories:
The assessment of the allowance for impairment loss on inventories requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

Critical judgement over the lease terms:
The lease liabilities are initially measured by discounting the lease payments over the lease terms. For leases with extension or renewal options, management applied judgement in determining whether such extension or renewal options should be reflected in measuring the lease liabilities. This requires the consideration of whether the facts and circumstances created an economic incentive for the exercise of the lease extension or renewal option. The amount of the lease liabilities at the end of the reporting year is disclosed in note on lease liabilities.

2. Financial information by operating segments

2A. 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 the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

2. Financial information by operating segments (cont'd)

2A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

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 it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The goods in the General and Project 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, in residential, commercial, public and industrial sectors. Project customers include architecture firms, property developers and construction companies.

- Others segment relates to investing activities including net rental collected from properties.

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 amortisation and depreciation, interests and income taxes ("Recurring EBITDA"); and (2) operating results before income taxes and other unallocated items ("ORBIT").

2. Financial information by operating segments (cont'd)

2B. Profit or loss from continuing operations and reconciliations

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

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 6 months ended 30 June 2022:					
Total revenue by segment	63,241	35,683	–	–	98,924
Inter-segment sales	(16,623)	(11,028)	–	–	(27,651)
Total revenue	46,618	24,655	–	–	71,273
Recurring EBITDA	13,294	2,411	1,931	248	17,884
Amortisation and depreciation expense	(2,963)	(533)	(1,045)	–	(4,541)
Finance costs	(1,289)	(99)	(488)	–	(1,876)
Share of profit from an equity-accounted associate	–	–	1,609	–	1,609
Share of profit from equity-accounted joint ventures	–	–	100	–	100
ORBIT	9,042	1,779	2,107	248	13,176
Income tax expense					(2,361)
Profit, net of tax					10,815

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 6 months ended 30 June 2021:					
Total revenue by segment	51,187	32,965	–	–	84,152
Inter-segment sales	(13,102)	(12,575)	–	–	(25,677)
Total revenue	38,085	20,390	–	–	58,475
Recurring EBITDA	8,708	823	1,641	15	11,187
Amortisation and depreciation expense	(2,623)	(531)	(406)	–	(3,560)
Finance costs	(1,093)	(148)	(259)	–	(1,500)
Share of loss from an equity-accounted associate	–	–	(47)	–	(47)
Share of profit from equity-accounted joint ventures	–	–	383	–	383
ORBIT	4,992	144	1,312	15	6,463
Income tax expense					(1,055)
Profit, net of tax					5,408

2. Financial information by operating segments (cont'd)

2C. Assets, liabilities and reconciliations

	General	Project	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
As at 30 June 2022:					
Segment assets	206,525	73,662	25,211	–	305,398
Segment liabilities	170,442	47,254	2,433	–	220,129
Deferred tax liabilities					905
Income tax payable					3,790
Total liabilities					224,824
As at 31 December 2021:					
Segment assets	192,256	69,283	24,484	–	286,023
Segment liabilities	157,666	44,780	2,530	–	204,976
Deferred tax liabilities					953
Income tax payable					2,688
Total liabilities					208,617

2D. Other material items and reconciliations

	General	Project	Others	Unallocated	Group
For 6 months ended 30 June:	$'000	$'000	$'000	$'000	$'000
Impairment of assets:					
2022	408	17	–	–	425
2021	2,386	946	–	–	3,332
Expenditure for non-current assets:					
2022	11,760	36	–	–	11,796
2021	19,137	136	–	–	19,273

2E. Geographical information

	Revenue 6 months ended 30 June		Non-current assets	
			30 Jun	31 Dec
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Singapore	69,628	56,747	171,208	162,278
People's Republic of China	204	125	10,574	11,062
Socialist Republic of Vietnam	–	–	18,334	17,507
Republic of the Union of Myanmar	179	266	–	–
Republic of Indonesia	113	212	–	–
Cambodia	860	661	–	–
Malaysia	185	355	–	–
Maldives	46	8	–	–
Others	58	101	–	–
	71,273	58,475	200,116	190,847

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. The non-current assets exclude any financial instruments.

2. Financial information by operating segments (cont'd)

2F. Disaggregation of revenue from contracts with customers

	Revenue	
	6 months ended 30 June	
	2022	2021
	$'000	$'000
Goods recognised at point in time	66,555	55,280
Services recognised over time	4,718	3,195
Total continuing operations	71,273	58,475

3. Related party transactions - Group

There are transactions and arrangements between the group and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations, if any are unsecured, without fixed repayment terms and interest or charge 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.

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

	6 months ended 30 June	
	2022	2021
	$'000	$'000
Associate:		
Interest income	(14)	(17)
Joint ventures:		
Sale of goods	(332)	(75)
Rental income	(211)	(209)
Interest income	(41)	(40)
Purchases of goods	5,328	3,747
Receiving of services	714	537
Directors:		
Sale of goods	(1)	(5)
Other related parties:		
Sale of goods	(161)	(453)
Rental income	(62)	(79)
Miscellaneous income	(56)	(58)
Purchases of goods	4,052	3,184
Rental expenses	1	5
Property management fee	22	–

4. Income tax - Group

4A. Components of tax expense recognised in profit or loss include

	6 months ended 30 June	
	2022	2021
	$'000	$'000
Current tax expense:		
Current tax expense	2,406	1,114
Subtotal	2,406	1,114
Deferred tax income:		
Deferred tax income	(45)	(114)
Under adjustments in respect of prior years	–	55
Subtotal	(45)	(59)
Total income tax expense	2,361	1,055

The reconciliation of income taxes below is determined by using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period:

	6 months ended 30 June	
	2022	2021
	$'000	$'000
Profit before income tax	13,176	6,463
Less:		
- Share of (profit) loss from an equity-accounted associate	(1,609)	47
- Share of profit from equity-accounted joint ventures	(100)	(383)
	11,467	6,127
Income tax expense at the above rate	1,949	1,042
Effect of different tax rates in different countries	11	32
Expenses not deductible for tax purposes	523	48
Tax exemption and rebates	(122)	(122)
Under adjustments in respect of prior years	–	55
Total income tax expense	2,361	1,055
Effective income tax rate for the period	21%	17%

5. Dividends on equity shares

	6 months ended 30 June	
	2022	2021
	$'000	$'000
Final tax exempt (1-tier) dividends paid of 0.75 cent per share	3,229	3,229
Total dividends paid during the period	3,229	3,229

6. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
As at 31 December 2021	106,922	18,847	3,973	129,742
Accumulated depreciation	(22,002)	(9,699)	(3,429)	(35,130)
Carrying amount at 31 December 2021	84,920	9,148	544	94,612
Cost:				
At 1 January 2022	106,922	18,847	3,973	129,742
Additions	10,583	1,185	28	11,796
Disposals	–	(103)	(25)	(128)
Foreign exchange adjustments	(111)	(60)	(1)	(172)
At 30 June 2022	117,394	19,869	3,975	141,238
Accumulated depreciation:				
At 1 January 2022	22,002	9,699	3,429	35,130
Depreciation for the period	2,319	842	164	3,325
Disposals	–	(103)	(23)	(126)
Foreign exchange adjustments	(34)	(9)	(1)	(44)
At 30 June 2022	24,287	10,429	3,569	38,285
Carrying amount:				
At 30 June 2022	93,107	9,440	406	102,953

As at the reporting period ended 30 June 2022, the group's leasehold properties with carrying amount of $89,347,000 (31 December 2021: $80,974,000) are mortgaged for bank facilities (Note 16).

Certain motor vehicles are under lease liabilities (Note 17).

7. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost:			
As at 31 December 2021	85,220	4,421	89,641
Accumulated depreciation	(13,892)	(3,998)	(17,890)
Carrying amount at 31 December 2021	71,328	423	71,751
Cost:			
At 1 January 2022	85,220	4,421	89,641
Additions	1,003	483	1,486
Foreign exchange adjustments	(101)	–	(101)
At 30 June 2022	86,122	4,904	91,026
Accumulated depreciation:			
At 1 January 2022	13,892	3,998	17,890
Depreciation for the period	960	247	1,207
Foreign exchange adjustments	(23)	–	(23)
At 30 June 2022	14,829	4,245	19,074
Carrying amount:			
At 30 June 2022	71,293	659	71,952

As at the reporting period ended 30 June 2022, the group's land use rights with carrying amount of $54,425,000 (31 December 2021: $54,980,000) are mortgaged for bank facilities (Note 16). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

Leasehold land
The group has made upfront payments for six parcels of leasehold land in Singapore and People's Republic of China, which are used in the group's warehousing and business operations.

The leases from JTC Corporation are under a non-cancellable operating leases which are from fourteen to forty-seven years, and amounts payable are subject to annual revision. The variable rent adjustments in the JTC lease would include changes in market rental rates.

Premises
The group leases warehouses and retail shops for the purpose of warehousing and retail operations.

The leases for the group's premises are negotiated for terms of one to three years.

8. Investment in an associate

	Group 30 Jun 2022 $'000	Group 31 Dec 2021 $'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends received	15,515	14,688
Carrying amount	18,334	17,507
Movements in carrying amount:		
At beginning of the reporting period / year	17,507	15,753
Share of profit for the reporting period / year	1,609	1,206
Dividends	(702)	–
Foreign exchange adjustments	(80)	548
At end of the reporting period / year	18,334	17,507

The carrying amount of investment in the associate is denominated in Vietnamese Dong.

The details of the associate are given as below:

Name of associate, country of incorporation, place of operations and principal activities	Equity held by the Group 30 Jun 2022 %	Equity held by the Group 31 Dec 2021 %
Viet Ceramics International Joint Stock Company Socialist Republic of Vietnam Importer and dealer of building materials	49	49

9. Investments in joint ventures

	Group 30 Jun 2022 $'000	Group 31 Dec 2021 $'000
Unquoted equity shares at cost	3,195	3,195
Share of post-acquisition losses, net of dividends received	(482)	(390)
Carrying amount	2,713	2,805
Movements in carrying amount:		
At beginning of the period / year	2,805	2,655
Share of profits for the period / year	100	356
Dividends	(137)	(350)
Foreign exchange adjustments	(55)	144
At end of the period / year	2,713	2,805
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	2,054	2,236

9. Investments in joint ventures (cont'd)

The details of the joint ventures are given as below:

Name of joint ventures, country of incorporation, place of operation and principal activities	Equity held by the Group	
	30 Jun 2022	31 Dec 2021
	%	%
Melmer Stoneworks Pte. Ltd. Singapore Cutting, shaping and finishing of stone	50	50
Guangdong ITA Element Building Materials Co., Limited People's Republic of China Production and distribution of tiles	50	50
Hafary Myanmar Investment Pte. Ltd. Singapore Investment holding	33	33

The group jointly controls the above joint ventures with other partners under the contractual agreements that require unanimous consent or two thirds of board of directors' consent for all major decisions over the relevant activities.

10. Inventories

	Group	
	30 Jun 2022	31 Dec 2021
	$'000	$'000
Goods held for resale	54,726	46,249
Inventories are stated after allowance. Movements in allowance:		
At beginning of the period / year	18,398	10,784
Charged to profit or loss included in impairment losses	514	7,614
At end of the period / year	18,912	18,398

There are no inventories pledged as security for liabilities.

11. Trade and other receivables

	Group	
	30 Jun 2022	31 Dec 2021
	$'000	$'000
Trade receivables:		
Outside parties	32,895	28,732
Less: Allowance for impairment	(2,060)	(2,149)
Joint venture	399	846
Other related parties	87	35
Director	7	–
Retention receivables on contracts	2,279	2,041
Subtotal	33,607	29,505
Other receivables:		
Outside parties	168	197
Joint ventures [#a]	3,946	3,834
Less: Allowance for impairment	(350)	(350)
Associate [#b]	–	1,366
Other related parties	–	4
Refundable deposits	358	1,177
Subtotal	4,122	6,228
Total trade and other receivables	37,729	35,733
Movements in above allowance on trade receivables:		
At beginning of the period / year	2,149	1,807
(Reversal) additions – individually impaired	(148)	579
Additions (reversal) – collectively impaired	59	(46)
Bad debts written-off	–	(191)
At end of the period / year	2,060	2,149
Movements in above allowance on other receivables:		
At beginning of the period / year	350	–
Additions – individually impaired	–	350
At end of the period / year	350	350

[#a] Included in other receivables is a loan to a joint venture amounting to $2,327,000 (31 December 2021: $2,220,000) which is unsecured, bears interest at 4.0% (31 December 2021: 4.0%) per annum and repayable on demand. The remaining balance of the loans to joint ventures are unsecured, interest-free and repayable on demand.

[#b] As at 31 December 2021, included in other receivables is a loan to an associate amounting to $1,352,000 which is unsecured, bears interest at 3.5% per annum and repayable on demand. The amount had been fully repaid during the reporting period.

As the group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statement of financial position except for financial guarantee contracts provided to banks.

(i) Concentration of credit risk

There is no significant concentration of credit risk with respect to trade receivables as the exposure is spread over a large number of counter-parties and customers.

11. Trade and other receivables (cont'd)

(ii) Credit risk exposure

The group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk for trade receivables by countries at the end of the reporting period, approximately:

- 95% (31 December 2021: 94%) of the group's trade receivables from Singapore.
- 5% (31 December 2021: 6%) of the group's trade receivables from other countries.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

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 (31 December 2021: 60 days). But some customers take a longer period to settle the amounts.

The allowance which is disclosed in the Note on trade receivables is based on individual accounts totalling $1,828,000 (31 December 2021: $1,976,000) of the group that are determined to be impaired at the end of the reporting period / year. These are not secured.

Expected credit losses

The expected credit losses ("ECL") on the above trade receivables are based on the simplified approach to measuring ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 12 months to 18 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The loss allowance of $232,000 (31 December 2021: $173,000) for the group is included in the allowance for impairment of receivables amounting to $2,060,000 as at 30 June 2022 (31 December 2021: $2,149,000). There are no collateral held as security and other credit enhancements for the trade receivables held by the group.

The amounts are written-off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

The other receivables at amortised cost shown above are subject to the expected credit losses model under the financial reporting standard on financial instruments. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

12. Share capital

	Number of shares issued ’000	Share capital $’000
Ordinary shares of no par value:		
Balance at 31 December 2021 and 30 June 2022	430,550	26,930

The company’s subsidiaries do not hold shares in the company.

There was no movement in the issued and paid-up capital of the company since 31 December 2021.

There were no outstanding convertibles as at 30 June 2022 (30 June 2021: Nil).

The company did not hold any treasury shares as at 30 June 2022 (30 June 2021: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 2022.

13. Foreign currency translation reserve

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the group. This reserve is not available for cash dividends unless realised.

14. Net asset value per share

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Net asset value per share based on existing issued share capital as at the respective dates (cents)	18.1	17.5	7.1	7.1

15. Aggregate amount of the group's borrowings and debt securities

	Secured		Unsecured	
	30 Jun 2022 $’000	31 Dec 2021 $’000	30 Jun 2022 $’000	31 Dec 2021 $’000
Repayable in one year or less, or on demand:				
Bank borrowings (Note 16)	38,262	35,150	–	–
Trust receipts and bills payable (Note 16)	27,761	19,992	–	–
Lease liabilities (Note 17)	51	50	960	876
Subtotal	66,074	55,192	960	876
Repayable after one year:				
Bank borrowings (Note 16)	116,554	112,924	–	–
Lease liabilities (Note 17)	26	51	13,310	12,440
Subtotal	116,580	112,975	13,310	12,440
Total	182,654	168,167	14,270	13,316

16. Loans and borrowings

	Group	
	30 Jun 2022	31 Dec 2021
	$'000	$'000
Non-current:		
With fixed interest rates:		
Bank loan F (secured) (Note 16C)	9,126	9,660
Bank loan H (secured) (Note 16E)	39,537	40,064
Bank loan I (secured) (Note 16F)	7,905	8,513
Bank loan J (secured) (Note 16F)	7,114	7,662
Bank loan K (secured) (Note 16G)	2,234	2,320
Bank loan M (secured) (Note 16H)	1,530	1,903
Bank loan N (secured) (Note 16H)	1,186	1,433
Bank loan O (secured) (Note 16H)	307	368
Bank loan P (secured) (Note 16I)	11,963	12,190
Bank loan Q (secured) (Note 16H)	1,167	1,349
Bank loan R (secured) (Note 16J)	26,476	27,044
Bank loan S (secured) (Note 16K)	1,548	418
Bank loan T (secured) (Note 16L)	6,461	–
Subtotal	116,554	112,924
Non-current, total	116,554	112,924
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 16A)	4,500	2,000
Bank loan B (secured) (Note 16A)	7,000	7,000
Bank loan C (secured) (Note 16A)	1,500	1,500
Bank loan D (secured) (Note 16B)	3,000	2,500
Bank loan E (secured) (Note 16B)	1,500	1,500
Bank loan G (secured) (Note 16D)	4,500	4,500
Bank loan L (secured) (Note 16A)	5,500	5,500
Trust receipts and bills payable (Note 16M)	27,761	19,992
Subtotal	55,261	44,492
With fixed interest rates:		
Bank loan F (secured) (Note 16C)	1,066	1,066
Bank loan H (secured) (Note 16E)	2,945	4,145
Bank loan I (secured) (Note 16F)	1,216	1,216
Bank loan J (secured) (Note 16F)	1,095	1,095
Bank loan K (secured) (Note 16G)	172	172
Bank loan M (secured) (Note 16H)	741	735
Bank loan N (secured) (Note 16H)	492	487
Bank loan O (secured) (Note 16H)	123	121
Bank loan P (secured) (Note 16I)	592	610
Bank loan Q (secured) (Note 16H)	333	151
Bank loan R (secured) (Note 16J)	1,135	756
Bank loan S (secured) (Note 16K)	429	96
Bank loan T (secured) (Note 16L)	423	–
Subtotal	10,762	10,650
Current, total	66,023	55,142
Total	182,577	168,066

16. Loans and borrowings (cont'd)

	Group	
	30 Jun 2022	31 Dec 2021
	$'000	$'000
The non-current portion is repayable as follows:		
Due within two to five years	45,157	43,445
After five years	71,397	69,479
Total non-current portion	116,554	112,924

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

	Group	
	30 Jun 2022	31 Dec 2021
	%	%
Bank loan F (secured)	1.58 to 1.95	1.95
Bank loan H (secured)	1.55 to 2.25	2.25
Bank loan I (secured)	1.58 to 1.95	1.95
Bank loan J (secured)	1.58 to 1.95	1.95
Bank loan K (secured)	1.58 to 2.08	2.08
Bank loan M (secured)	2.00	2.00
Bank loan N (secured)	2.00	2.00
Bank loan O (secured)	2.00	2.00
Bank loan P (secured)	1.30	1.30
Bank loan Q (secured)	2.00	2.00
Bank loan R (secured)	1.50	1.50
Bank loan S (secured)	1.30	1.30
Bank loan T (secured)	1.50	–

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

	Group	
	30 Jun 2022	31 Dec 2021
	%	%
Bank loan A (secured)	1.60 to 2.80	1.55 to 1.68
Bank loan B (secured)	1.60 to 2.50	1.55 to 1.60
Bank loan C (secured)	1.86 to 2.89	1.76 to 1.86
Bank loan D (secured)	1.87 to 2.72	1.75 to 1.95
Bank loan E (secured)	1.80 to 2.80	1.75 to 1.80
Bank loan G (secured)	1.60 to 2.80	1.55 to 1.85
Bank loan L (secured)	1.81 to 3.23	1.76 to 1.86
Trust receipts and bills payable	1.05 to 2.25	1.05 to 2.11

16A. Bank loans A, B, C and L (secured)

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

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

16. Loans and borrowings (cont'd)

16B. Bank loans D and E (secured)

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

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

16C. Bank loan F (secured)

These relate to two loan facilities. The agreements for the bank loans provide among other matters for the following:

(i) Repayable by equal monthly instalments over 20 years from November 2011 and July 2013 respectively.
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

16D. Bank loan G (secured)

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

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months), subject to yearly reduction of $750,000 over 8 years until the limit is reduced to $4,000,000.
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

16E. Bank loan H (secured)

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

(i) Repayable by over 3 years fixed principal instalment of $125,000 each and remaining by equal monthly instalments over 12 years commencing from May 2017.
(ii) Legal mortgage on a leasehold property (Note 6) and leasehold land (Note 7).
(iii) Legal assignment of insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreement in respect of the leasehold property.
(iv) Joint and several corporate guarantees from the company and a subsidiary.
(v) Personal guarantee from a director cum a shareholder.
(vi) Need to comply with certain financial covenants.

16F. Bank loans I and J (secured)

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

(i) Repayable by equal monthly instalments over 14 years from January 2016.
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

16. Loans and borrowings (cont'd)

16G. Bank loan K (secured)

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

(i) Repayable by equal monthly instalments over 20 years from July 2016.
(ii) Legal mortgage on an investment property.
(iii) Assignment of rental proceeds.
(iv) Corporate guarantee from the company.
(v) Personal guarantee from a director.
(vi) Need to comply with certain financial covenants.

16H. Bank loans M, N, O and Q (secured)

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

(i) The loans were drawn under the Enterprise Financing Scheme and repayable by monthly instalments over 5 years from the draw down date.
(ii) The loans have an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Corporate guarantee from the company.

16I. Bank loan P (secured)

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

(i) Repayable by equal monthly instalments over 20 years.
(ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a leasehold property (Note 6).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

16J. Bank loan R (secured)

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

(i) Repayable by equal monthly instalments over 25 years.
(ii) The loan has an interest servicing period for the first 6 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a leasehold property (Note 6).
(iv) Corporate guarantee from a subsidiary.
(v) Need to comply with certain financial covenants.

16. Loans and borrowings (cont'd)

16K. Bank loan S (secured)

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

(i) Repayable by equal monthly instalments over 5 years.
(ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a leasehold property (Note 6).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

16L. Bank loan T (secured)

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

(i) Repayable by equal monthly instalments over 5 years.
(ii) Legal mortgage on a leasehold property (Note 6).
(iii) Corporate guarantee from a subsidiary.
(iv) Need to comply with certain financial covenants.

16M. Trust receipts and bills payable

These are repayable within 150 to 180 days (31 December 2021: 150 to 180 days) and are guaranteed by the company.

17. Lease liabilities

	Group	
	30 Jun 2022 $'000	31 Dec 2021 $'000
Lease liabilities, current	1,011	926
Lease liabilities, non-current	13,336	12,491
Total	14,347	13,417

Movements of lease liabilities for the reporting period / year are as follows:

	Group	
	30 Jun 2022 $'000	31 Dec 2021 $'000
Total lease liabilities at beginning of reporting period / year	13,417	10,236
Additions	1,486	4,199
Accretion of interest	211	386
Lease payments – principal portion paid	(766)	(1,399)
Interest paid	(1)	(5)
Total lease liabilities at end of reporting period / year	14,347	13,417

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets.

17. Lease liabilities (cont'd)

Certain leases are secured by the lessors' charge over the leased assets as follows:

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Carrying amounts of motor vehicles under lease liabilities	125	172

Total cash outflows from leases are shown in the consolidated statement of cash flows. The related right-of-use assets are disclosed in Note 7.

During the reporting period, expense of the group relating to short-term leases included in other expenses was $452,000 (31 December 2021: $977,000).

18. Provision

	Group	
	30 Jun 2022 $'000	31 Dec 2021 $'000
Provision for rebates	895	924
Movements in above provision:		
Balance at beginning of the period / year	924	725
Additions	895	924
Used	(924)	(725)
Balance at end of the period / year	895	924

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (31 December 2021: 60 days).

19. Capital commitments

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

	Group	
	30 Jun 2022 $'000	31 Dec 2021 $'000
Commitments to purchase plant and equipment	896	1,488
Commitments to acquire a leasehold property	–	7,902
Commitments to acquire 30% shareholdings held by NCI	–	3,020
Contractual obligations for construction works	233	1,614
Total	1,129	14,024

20. Events after the end of the reporting period

On 5 July 2022, Hafary Pte Ltd ("HPL"), a wholly-owned subsidiary of the company, incorporated a subsidiary, Hafary Flagship Store Pte. Ltd. with issued and paid-up capital of $100.

On 8 July 2022, Hafary Flagship Store Pte. Ltd. exercised an option-to-purchase to purchase the property at 161 Lavender Street, Lavender Place, Singapore 338750 comprising a row of 11 contiguous conservation shophouses with 4-storey rear extension and 10 covered car parking lots sitting on an island block. The consideration for the acquisition of the property is S$71.28 million (excluding prevailing goods and services tax and stamp duty). Hafary Flagship Store Pte. Ltd. has paid a deposit of S$3,564,000 upon the exercise of the option-to-purchase, and the remainder of the consideration will be paid on completion, which must occur no later than 8 November 2022.

On 22 July 2022, the company entered into a joint venture agreement (the "JVA") with CNA Pte. Ltd. ("CNAPL", and such arrangement the "Joint Venture") pursuant to which the parties to the JVA had agreed to incorporate a joint venture company, International Ceramic Manufacturing Hub Pte. Ltd. ("ICMH SG").

HPL has incorporated a subsidiary, Hafary Element Pte. Ltd. ("Hafary Element") with issued and paid-up capital of $100. It is intended that prior to the commencement of the Joint Venture, the paid-up share capital of Hafary Element will be increased to S$10,000 comprising 10,000 ordinary shares of which 8,571 will be held by HPL and 1,429 will be held by Guangdong ITA Element Building Material Co., Limited ("Guangdong ITA"). Guangdong ITA is the group's joint venture company in the People's Republic of China and is owned as to 50.0% by our wholly-owned subsidiary, Hafary Building Materials Pte. Ltd., 35.0% by Wei, Beizan and 15.0% by Chen, Zaifeng.

HPL has incorporated a subsidiary, ICMH SG with issued and paid-up capital of $100. It is intended that prior to the commencement of the Joint Venture, the paid-up share capital of ICMH SG will be increased to S$100,000 comprising 100,000 ordinary shares, of which 70,000 will be held by Hafary Element and 30,000 will be held by CNAPL.

ICMH SG has incorporated a subsidiary, International Ceramic Manufacturing Hub Sdn Bhd ("ICMH MY") with issued and paid-up capital of RM1. It is intended that prior to the commencement of the Joint Venture, the issued share capital of ICMH MY will be increased to RM3,000,000 comprising 3,000,000 ordinary shares.

21. Categories of financial assets and liabilities

The following table categorises the carrying amounts of financial assets and liabilities recorded at the end of the reporting period / year:

	Group	
	30 Jun 2022	31 Dec 2021
	$'000	$'000
Financial assets:		
Financial assets at amortised cost	43,972	41,803
Financial assets at fair value through profit or loss	340	340
	44,312	42,143
Financial liabilities:		
Financial liabilities at amortised cost	214,410	199,151
Derivatives financial instruments at fair value	66	64
	214,476	199,215

22. Changes and adoption of financial reporting standards

The same accounting policies and methods of computations used in the latest audited annual financial statements have been applied.

Other Information Required by Listing Rule Appendix 7.2
30 June 2022

1. Review

The condensed interim consolidated statements of financial position of Hafary Holdings Limited (the "company") and its subsidiaries (the "group") as at 30 June 2022 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the reporting period then ended and certain explanatory notes have not been audited or reviewed.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business

Revenue

For HY2022 the group registered a revenue of S$71.3 million compared to S$58.5 million during HY2021.

The revenue consists of below segments:

General segment
For 6 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S$8.5 million or 22.3% from S$38.1 million during HY2021 to S$46.6 million during HY2022. The increase in revenue was support by active resale market, robust demand from home buyers who prefer the certainty of getting their flats in the resale market and avoid the construction delays for Build-To-Order flats, caused by manpower shortages and supply chain disruption.

Project segment
For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$4.3 million or 21.1% from S$20.4 million during HY2021 to S$24.7 million during HY2022. The increase in revenue was mainly due to the construction activity picked up during the period, supported in part by the relaxation of border restriction on the inflow of migrant workers.

Interest Income

For HY2022, interest income mainly derived from a loan of US$1.5 million (equivalent to approximately S$2.1 million) to a joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"), to support their business expansion in China.

For HY2021, interest income mainly derived from a loan of US$1.5 million (equivalent to approximately S$2.1 million) to a joint venture, ITA Element, to support their business expansion in China and also derived from a loan of US$2.0 million (equivalent to approximately S$2.7 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their working capital needs in Vietnam.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Other income and gains

For HY2022, the other income and gains increased by S$0.4 million or 15.1% from S$2.9 million during HY2021 to S$3.3 million during HY2022. The other income and gains mainly comprised of rental income of S$2.5 million, sales of solar energy of S$0.2 million, foreign exchange adjustments gains of S$0.2 million and government grants of S$0.4 million. There are various relief measures and support from the Singapore government, including foreign worker levy rebate and job growth incentives. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

For HY2021, other gains mainly comprised of rental income of S$1.9 million, government grants of S$1.0 million for COVID-19 pandemic. There are various relief measures and support from the Singapore government, including jobs support scheme and foreign worker levy rebate. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

The increase in other income and gains mainly contributed by the increase in rental income, sales of solar energy and foreign exchange adjustments gains of S$0.2 million. This was partially offset by the decrease in government grants.

Purchase of inventories are mainly denominated in United States Dollar ("USD"), Euro and Renminbi ("RMB"). The group entered into foreign currency forward contracts to hedge against fluctuations of exchange rates in USD, Euro and RMB. These are binding contracts in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date. The difference between foreign currency forward contract rates and forward market rates as at period end date would then be recorded as fair value gain/ (loss) on derivative financial instruments under 'Other Gains' or 'Other Losses'.

Other Losses

For HY2021, other losses mainly comprised of foreign exchange adjustments losses.

Cost of Sales

Cost of sales is computed based on purchases and related costs net of changes in inventories of goods held for resale for the respective financial period.

For 6 months ended, cost of sales increased by S$7.4 million or 23.3% from S$31.7 million during HY2021 to S$39.1 million during HY2022. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income) and cost of sales, without taking into account labour costs and overheads) of 45.2% for HY2022 has slightly dropped as compared to 45.8% for HY2021.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Employee Benefits Expense

For 6 months ended, employee benefits expenses increased by S$0.8 million or 7.7% from S$10.4 million during HY2021 to S$11.2 million during HY2022. The increase was mainly due to revision to the accruals of bonus during the HY2022 and HY2021 and the foreign worker levy in the 6 months ended 2021. The increase is mainly due to the accruals of bonus is revised up to in line with the improved business performance during the period and higher staff commission due to higher sales collection as compared to HY2021. As at 30 June 2022, the group had 334 employees (including directors) (31 December 2021: 323).

Amortisation and Depreciation Expense

For 6 months ended, amortisation and depreciation expenses increased by S$0.9 million or 25.0% from S$3.6 million during HY2021 to S$4.5 million during HY2022. The increase is mainly due to increase in depreciation charge on newly acquired properties during the period.

Impairment Losses

The impairment losses mainly comprised of allowance for impairment of inventories and allowance of trade receivables.

The assessment of the allowance for impairment of inventories requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Of these inventories, substantial impairment allowance has been made for slow-moving inventories. The impairment allowance for slow-moving inventories is based on the age of these inventories, the prevailing market demand of the inventory category and the deterioration of the products based on past experience.

In respect of the impairment of trade receivables, the management assesses the collectability of trade receivables regularly, considering various factors such as the financial status of the group's customers and the aging of trade debts. Impairment on specific trade receivables would be made if the chance of recovery is very low. Other than that, the expected credit losses ("ECL") model is also applied to determine the loss allowance for trade receivables based on historically observed default rates adjusted for forward-looking estimates. The assessment of the allowance for ECL requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the ECL, the management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, the increase in the number of delayed receipts in the portfolio that passed the average credit period, and forward looking information such as forecasts of future economic conditions.

For 6 months ended, the impairment losses mainly comprise the impairment of inventories of S$0.5 million and reversal of impairment of trade receivables of S$0.1 million. The impairment losses decreased by S$2.9 million or 87.9% from S$3.3 million during HY2021 to S$0.4 million during HY2022. The decrease mainly due to the decrease in allowance for impairment of inventories.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Finance Costs

For 6 months ended, finance costs increased by S$0.4 million or 26.7% from S$1.5 million during HY2021 to S$1.9 million during HY2022. The increase mainly due to additional term loan interest incurred on the newly acquired properties which partially funded by term loans.

Other Expenses

For 6 months ended, other expenses increased by S$1.3 million or 27.1% from S$4.8 million during HY2021 to S$6.1 million during HY2022. The increase mainly due to the increase in property tax expense of S$0.2 million, staff welfare of S$0.1 million, utilities of S$0.2 million, upkeep of motor vehicles of S$0.2 million, hire of motor vehicles of S$0.2 million and travelling expenses of S$0.1 million. The remaining other expenses which fluctuate less than S$0.1 million individually. The increase in property tax is due to expenses incurred on the newly acquired properties during the period. The increase in utilities expenses is mainly due to the increase of utilities rate, which lead to higher utilities incurred during the period. The increase in hire of motor vehicles is to meet the increasing demand for goods delivery to customer sites. The increase in upkeep of motor vehicles mainly due to the increase of diesel price and also the increasing demand for goods delivery to customer sites lead to higher maintenance. The increase in travelling expense mainly incurred for business trips, with the ease of border restrictions.

Share of Profit (Loss) from an Equity-Accounted Associate

For 6 months ended, share of profit from associate amounted to S$1.6 million (HY2021: share of loss of S$0.1 million). The increase was mainly due to the improved business performance of the associate during the period.

Share of Profits from Equity-Accounted Joint Ventures

For 6 months ended, share of profits from joint ventures amounted to S$0.1 million (HY2021: share of profits of S$0.4 million). The decrease in joint venture profits was mainly affected by the business performance of a joint venture in China during the period.

Profit Before Income Tax

For 6 months ended, the group has generated a profit before tax of S$13.2 million as compared to a profit before tax of S$6.4 million in HY2021.

For 6 months ended, excluding share of profit from associate and share of profits from joint ventures amounting to S$1.7 million for HY2022 (HY2021: S$0.3 million), profit before income tax incurred from recurring activities was S$11.5 million for HY2022 (HY2021: S$6.1 million).

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Other Comprehensive Income (Loss)

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. For 6 months ended, income tax expense amounted to S$2.4 million (HY2021: S$1.1 million). The increase in income tax expense was due to higher taxable profit during the period.

Non-Current Assets

Non-current assets increased by S$9.3 million or 4.9% from S$191.2 million as at 31 December 2021 to S$200.5 million as at 30 June 2022.

Property, plant and equipment increased by S$8.4 million or 8.9% from S$94.6 million as at 31 December 2021 to S$103.0 million as at 30 June 2022. The increase was mainly due to addition of property, plant and equipment amounting to S$11.8 million during HY2022. The increase is partially offset by the depreciation expense amounting to S$3.3 million and foreign exchange adjustments of S$0.1 million during the period.

The increase was mainly due to:

a) Purchase of a leasehold property for own use located at 28 Loyang Crescent Singapore 508990 amounting to S$9.0 million (inclusive of stamp duty) by its subsidiary, Hafary Crescent Pte Ltd; and
b) Purchased plant and equipment amounting to S$0.6 million.

The right-of-use assets comprised of leasehold lands (land use rights relating to group's leasehold properties in Singapore and China) and leases of premises. Right-of-use assets increased by S$0.2 million or 0.3% from S$71.8 million as at 31 December 2021 to S$72.0 million as at 30 June 2022. The increase was due to the capitalisation of right-of-use assets in relation to the leases of S$1.4 million during the period and partially offset by depreciation of S$1.2 million.

Investment in associate increased by S$0.8 million or 4.6% from S$17.5 million as at 31 December 2021 to S$18.3 million as at 30 June 2022. The increase was mainly due to share of profit amounting to S$1.6 million from VCI and partially offset by distribution of dividend amounting to S$0.7 million and exchange differences on translating associate with foreign operation amounting to S$0.1 million .

Investment in joint ventures decreased by S$0.1 million or 3.6% from S$2.8 million as at 31 December 2021 to S$2.7 million as at 30 June 2022. The decrease was mainly due to dividends amounting to S$0.1 million from joint ventures and exchange differences on translating joint ventures with foreign operation amounting to S$0.1 million. The decrease is partially offset by share of profits amounting to S$0.1 million from joint ventures.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Non-Current Assets (cont'd)

Investment property at carrying value of S$4.2 million pertains to 532 Balestier Road Singapore 329859.

Other financial assets pertain to the group's investment in shares of Healthbank Holdings Limited (Listed on SGX Catalist).

Current Assets

Current assets increased by S$10.1 million or 10.7% from S$94.8 million as at 31 December 2021 to S$104.9 million as at 30 June 2022.

The increase was mainly due to increase in inventories of S$8.5 million, trade and other receivables of S$2.0 million and cash and cash equivalents of S$0.2 million. The increase is partially offset by the decrease in other non-financial assets of S$0.6 million.

Other non-financial assets pertained to advance payment to suppliers, deposits to secure services and prepayments.

Trade receivables turnover day as at 30 June 2022 is 86 days compared to 77 days as at 31 December 2021. Inventory turnover day as at 30 June 2022 is 276 days compared to 250 days as at 31 December 2021.

Non-Current Liabilities

Non-current liabilities increased by S$4.4 million or 3.5% from S$126.4 million as at 31 December 2021 to S$130.8 million as at 30 June 2022. The increase was mainly due to increase in bank loans and lease liabilities of S$3.6 million and S$0.8 million respectively. As of 30 June 2022, the group's property loans borrowing rates over the next one to three years varies between 1.3% to 1.58%.

Current Liabilities

Current liabilities increased by S$11.8 million or 14.4% from S$82.2 million as at 31 December 2021 to S$94.0 million as at 30 June 2022.

The increase was mainly attributable to the increase in income tax payable of S$1.1 million, loans and borrowings of S$10.9 million and lease liabilities of S$0.1 million. The increase was partially offset by the decrease in trade and other payables of S$0.2 million and other non-financial liabilities of S$0.1 million.

The provision is pertaining to provision of rebate to customers.

Total amount of trade payables and trust receipts and bills payable to banks was S$38.4 million (31 December 2021: S$27.1 million). The turnover of the aforesaid items (based on cost of sales) is 167 days as at 30 June 2022 compared to 142 days as at 31 December 2021.

The increase in loans and borrowings was mainly due to increase in trust receipts and bill payables by S$7.8 million and short term loans by S$4.1 million. The increase is partially offset by the repayment of short term loan amounting to S$1.0 million.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Current Liabilities (cont'd)

The increase in income tax payable mainly due to increase in taxable profits.

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

Cash Flows Review

HY2022

Net cash flows from operating activities was S$6.0 million due to operating cash flows before working capital changes of S$17.7 million, net cash flows used in working capital of S$10.4 million and income tax paid of S$1.3 million. The net cash flows used in working capital of S$10.4 million was mainly attributable by the increase in inventories of S$8.5 million and trade and other receivables of S$3.5 million and decrease in other non-financial liabilities of S$0.1 million. This was partially offset by the decrease in other non-financial assets of S$0.3 million and increase in trade and other payables of S$1.4 million.

Net cash flows used in investing activities amounting to S$9.0 million was mainly attributable by the purchase of plant and equipment of S$10.5 million, and deposit paid for property acquisition of S$0.7 million. This was partially offset by the repayment of loan principal from an associate of S$1.4 million and dividend income from an associate and a joint venture of S$0.7 million and S$0.1 million respectively.

Net cash flows from financing activities amounting to S$3.1 million was mainly attributable by the increase in trust receipt and bill payable of S$7.8 million and borrowings of S$12.5 million. This was partially offset by the dividends paid to equity owners of S$3.2 million, dividends paid to non-controlling interests of S$0.9 million, net movements in amounts due to a director cum a shareholder of S$0.6 million, net movements in amounts due to a shareholder of S$1.1 million, repayment of lease liabilities of S$0.8 million, decrease in loans and borrowings of S$5.9 million, repayment of interest expense of S$1.7 million and acquisition of non-controlling interest of S$3.0 million.

As a result of the above, there was a net increase of S$0.1 million in cash and cash equivalents. Cash and cash equivalents as at 30 June 2022 was S$6.2 million.

3. Forecast, or a prospect statement

There was no forecast or a prospect statement.

4. Significant trends and competitive conditions of the industry

Based on advance estimated released by Ministry of Trade and Industry (MTI) on 14 July 2022, the Singapore economy grew by 4.8% on a year-on-year basis in the second quarter of 2022, extending the 4.0% growth recorded in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, GDP was unchanged in the second quarter, after posting an expansion of 0.9% in the first quarter.

The construction sector grew by 3.8% on a year-on-year basis in the second quarter, faster than the 1.8% growth in the previous quarter. Construction activity picked up during the quarter, supported in part by the relaxation of border restriction on the inflow of migrant workers. In absolute terms, the value-added of the construction sector remained 23.7% below its pre-pandemic (i.e., second quarter of 2019) level due to continued labour shortages as the inflow of migrant workers would take time to recover. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.9% in the second quarter, moderating from the 2.9% growth in the first quarter.

On 26 January 2022, The Building and Construction Authority (BCA) projects the total construction demand (i.e. the value of construction contracts to be awarded) in 2022 to be between S$27 billion and S$32 billion.

The public sector is expected to contribute about 60 per cent of the total construction demand, between S$16 billion and S$19 billion. This is supported by the strong pipeline of public housing projects including those under the Home Improvement Programme, as well as healthcare developments and infrastructure works such as the Cross Island MRT Line (Phase 1).

The private sector construction demand is anticipated to reach between S$11 billion and S$13 billion in 2022, comparable with the volume in 2021. Given the latest property cooling measures, residential building demand is anticipated to moderate year-on-year amid more cautious market sentiments. However, commercial building demand is expected to increase as hotels and attractions undergo refurbishment to prepare for inbound tourism revival, and older commercial premises are earmarked for redevelopment to enhance their asset values. In addition, the private sector industrial building demand is expected to see some support from the construction of energy storage facilities and biopharmaceutical manufacturing plants.

The preliminary total construction demand for 2021 increased by 42 percent to about S$30 billion compared to the preceding year, largely driven by public housing and infrastructure projects as well as an improvement in investment sentiments. This was about 7 per cent higher than the upper bound of BCA’s earlier forecast of S$23 billion to S$28 billion, mainly due to increase in tender prices resulting from manpower and materials cost inflation.

The public sector construction demand increased from S$12.2 billion in 2020 to S$18.2 billion in 2021, underpinned by major projects such as the Cross Island MRT Line, Jurong Region MRT Line, Tuas Water Reclamation Plant and new Build-To-Order (BTO) units. Likewise, the private sector construction demand expanded from S$8.9 billion in 2020 to S$11.8 billion in 2021, supported by higher demand for residential, commercial and industrial building developments as the economy recovers.

Over the medium-term, BCA expects the total construction demand to reach between S$25 billion and S$32 billion per year from 2023 to 2026.

4. Significant trends and competitive conditions of the industry (cont'd)

The public sector is expected to lead the demand and contribute S$14 billion to S$18 billion per year from 2023 to 2026. About half of the demand will come from building projects and the other half from civil engineering works. Besides public housing developments, there are also various major developments in the pipeline, such as MRT projects including the Cross Island Line (Phases 2 & 3) and its Punggol Extension and the Downtown Line Extension to Sungei Kadut, the Toa Payoh Integrated Development, redevelopment of Alexandra hospital and a new integrated hospital at Bedok.

The private sector construction demand is projected to remain steady over the medium-term, reaching about S$11 billion to S$14 billion per year from 2023 to 2026, in view of healthy investment appetite amid Singapore's strong economic fundamentals.

The total nominal construction output (value of certified progress payments) is projected to increase to between S$29 billion to S$32 billion for 2022, from the preliminary estimate of about S$26 billion for 2021. The is due to a steady level of construction demand and the backlog of remaining workloads that were affected by the COVID-19 pandemic since 2020.

The construction sector is facing challenges such as supply chain disruptions, labour shortages, higher material and manpower costs, higher cost as well as pressing demand to make up for lost time in the completion of projects.

The above information is sourced from:
1. *MTI's press release on 14 July 2022 - https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2022/07/AdvEst_2Q22.pdf*
2. *BCA's media release on 26 January 2022 - https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/sustained-construction-demand-in-2022-supported-by-public-sector-projects.pdf*

5. Dividend

5A. Dividend declared for the current financial period

	HY2022
Name of Dividend	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.75 cent

5B. Dividend declared for the corresponding period of the immediately preceding financial year

	HY2021
Name of Dividend	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.75 cent

5. Dividend (cont'd)

5C. Date payable

To be announced later.

5D. Record date

To be announced later.

6. Interested person transactions

Name of interested person and nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920) 6 months ended 30 June		Aggregate value of all IPTs conducted under IPT Mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 6 months ended 30 June	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Purchases of goods:				
MML Marketing Pte Ltd	–	–	1,794	3,123
Malaysian Mosaics Sdn Bhd	–	–	2,258	–
Sales of goods:				
Malaysian Mosaics Sdn Bhd	–	–	–	383
Aggregate value of transactions under the Associate of the Group's Controlling Shareholder, Hap Seng Consolidated Berhad			4,052	3,506

General mandate for IPT was renewed at the Annual General Meeting held on 14 April 2021.

7. Confirmation of directors and executive officers' undertakings pursuant to Listing Rule 720(1) (in the format set out in Appendix 7.7) under Rule 720(1)

The company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1).

8. Disclosure pursuant to Rule 706A of the Listing Manual

On 17 January 2022, the Company's subsidiary, HPL had completed the acquisition of World Furnishing Hub Pte. Ltd ("WFH"). With the completion of the acquisition, now holds an 81.0% shareholding in the issued share capital of WFH.

9. Confirmation by the board

On behalf of the directors of the company, we, the undersigned directors, do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors that may render the interim financial statements to be false or misleading in any material aspect.

By Order of the Board

Low Kok Ann Executive Director and Chief Executive Officer	Low See Ching Non-Independent Non-Executive Director

10 August 2022