



HAFARY HOLDINGS LIMITED

合發利控股有限公司

Company Registration No. 200918637C

Registered Address: 105 Eunos Avenue 3, Hafary Centre, Singapore 409836

Unaudited Financial Statements and Dividend Announcement For the First Quarter Ended 31 March 2016 ("1Q2016")

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1(a)(i) Statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Unaudited 1Q2016	Unaudited 1Q2015	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	(Decrease) %
Revenue	21,766	25,540	(14.8)
Interest Income	18	19	(5.3)
Other Gains	620	115	439.1
Changes in Inventories of Finished Goods	135	(1,164)	N.M
Purchases and Related Expenses	(13,206)	(14,892)	(11.3)
Employee Benefits Expenses	(4,256)	(3,696)	15.2
Depreciation Expense	(874)	(810)	7.9
Impairment Losses	(197)	(345)	(42.9)
Other Losses	(467)	(395)	18.2
Finance Costs	(646)	(575)	12.3
Other Expenses	(2,696)	(2,457)	9.7
Share of Profit from an Equity-Accounted Associate	204	200	2.0
Share of Loss from an Equity-Accounted Joint Venture	(90)	(98)	(8.2)
Profit Before Tax	311	1,442	(78.4)
Income Tax Expense	(42)	(150)	(72.0)
Profit, Net of Tax	269	1,292	(79.2)
Other Comprehensive (Loss) Income:			
Items that may be reclassified subsequently to Profit or Loss:			
Exchange Differences on Translating Foreign Operations, Net of Tax	(702)	381	N.M
Other Comprehensive (Loss) Income for the Period, Net of Tax	(702)	381	N.M
Total Comprehensive (Loss) Income	(433)	1,673	(125.9)
Profit, Net of Tax Attributable to:			
- Owners of the Parent	188	1,125	(83.3)
- Non-Controlling Interests	81	167	(51.5)
	269	1,292	(79.2)
Total Comprehensive (Loss) Income Attributable to:			
- Owners of the Parent	(514)	1,506	N.M
- Non-Controlling Interests	81	167	(51.5)
	(433)	1,673	N.M

Notes:

(1) N.M = Not meaningful.

(2) 1Q2015 = Financial period of 3 months ended 31 March 2015.

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For the Period Ended 31 March 2016

1(a)(ii) Profit, Net of Tax and Total Comprehensive Income is arrived after crediting/ (charging) the following:

	Group		
	Unaudited 1Q2016	Unaudited 1Q2015	Increase/ (Decrease) %
	(3 months) S\$'000	(3 months) S\$'000	
Interest Expense on Borrowings	(646)	(575)	12.3
Interest Income on Borrowings	18	19	(5.3)
Depreciation Expense	(874)	(810)	7.9
Allowance for Impairment of Trade Receivables	-	(228)	N.M
Allowance for Impairment of Trade Receivables, Reversal	26	-	N.M
Bad Debts Recovered - Trade Receivables	3	1	200.0
Bad Debts Written Off - Trade Receivables	(15)	(1)	N.M
Allowance for Impairment of Inventories	(211)	(117)	80.3
Foreign Exchange Adjustment Gains (Losses)	437	(212)	N.M
Fair Value Loss on Derivative Financial Instruments	(467)	(190)	145.8
Adjustment for Over Provision of Tax in respect of Prior Years	5	4	25.0

1(b)(i) Statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited 31 March 2016 S\$'000	Audited 31 December 2015 S\$'000	Unaudited 31 March 2016 S\$'000	Audited 31 December 2015 S\$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	104,549	97,871	285	301
Other Asset	4,716	4,950	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in Associate	5,588	5,384	-	-
Investment in Joint Venture	228	318	-	-
Other Financial Assets	2,883	2,971	793	793
Total Non-Current Assets	117,964	111,494	10,317	10,333
Current Assets:				
Inventories	46,943	46,979	-	-
Trade and Other Receivables	33,062	43,223	29,492	27,055
Derivative Financial Instruments	-	44	-	-
Other Assets	3,495	3,801	16	10
Cash and Cash Equivalents	5,772	8,531	43	26
Total Current Assets	89,272	102,578	29,551	27,091
Total Assets	207,236	214,072	39,868	37,424
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings (Accumulated Losses)	23,512	23,324	2,147	(189)
Other Reserves	151	829	143	119
Equity, Attributable to Owners of the Parent	50,297	50,787	28,924	26,564
Non-Controlling Interests	4,092	4,011	-	-
Total Equity	54,389	54,798	28,924	26,564
Non-Current Liabilities:				
Deferred Tax Liabilities	390	383	-	-
Other Financial Liabilities	73,846	65,868	113	121
Total Non-Current Liabilities	74,236	66,251	113	121
Current Liabilities:				
Provision	425	525	-	-
Income Tax Payable	3,465	3,648	3	4
Trade and Other Payables	23,051	30,182	10,796	10,704
Other Financial Liabilities	50,668	57,773	32	31
Other Liabilities	579	895	-	-
Derivative Financial Instruments	423	-	-	-
Total Current Liabilities	78,611	93,023	10,831	10,739
Total Liabilities	152,847	159,274	10,944	10,860
Total Equity and Liabilities	207,236	214,072	39,868	37,424

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

	Group			
	Unaudited		Audited	
	As at 31 March 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	29,393	-	29,067	-
Trust Receipts and Bills Payable to Banks	20,982	-	28,415	-
Finance Lease Liabilities	293	-	291	-
	50,668	-	57,773	-

Amount repayable after one year

	Group			
	Unaudited		Audited	
	As at 31 March 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	73,597	-	65,544	-
Finance Lease Liabilities	249	-	324	-
	73,846	-	65,868	-

Details of collaterals relating to the above borrowings

Bank Loans

These are covered by:

- (a) corporate guarantees given by Hafary Holdings Limited and a subsidiary;
- (b) secured by first legal mortgage over leasehold properties; and
- (c) legal assignment of current and future rental proceeds and insurance proceeds in respect of a leasehold property.

Borrowing drawn down in relation to the acquisition and development of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 is secured by first legal mortgage over the leasehold property and the proposed development to the erected thereon into a 7-storey building of a subsidiary. It is also covered by joint and several corporate guarantees from Hafary Holdings Limited and a subsidiary, personal guarantees from a director and a substantial shareholder.

Trust Receipts and Bills Payable to Banks

These are covered by corporate guarantees given by Hafary Holdings Limited.

1(c) Statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Unaudited 1Q2016	Unaudited 1Q2015
	(3 months) S\$'000	(3 months) S\$'000
Cash Flows From Operating Activities		
Profit Before Income Tax	311	1,442
Adjustment for:		
Interest Expense	646	575
Interest Income	(18)	(19)
Share of Profit from Associate	(204)	(200)
Share of Loss from Joint Venture	90	98
Equity-Settled Share-Based Expense	24	-
Depreciation of Property, Plant and Equipment	841	774
Depreciation of Other Asset	33	36
Fair Value Loss on Derivative Financial Instruments	467	190
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	(94)	(145)
Operating Cash Flows Before Changes in Working Capital	2,096	2,751
Inventories	36	1,282
Trade and Other Receivables	10,170	2,298
Other Assets	305	3,470
Provision	(100)	(179)
Trade and Other Payables	(5,491)	(6,222)
Other Liabilities	(316)	144
Net Cash Flows From Operations	6,700	3,544
Income Taxes Paid	(219)	(381)
Net Cash Flows From Operating Activities	6,481	3,163
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(9,875)	(713)
Interest Received	6	6
Investment in Other Financial Assets	-	(2,162)
Net Cash Flows Used in Investing Activities	(9,869)	(2,869)
Cash Flows From Financing Activities		
Decrease in Trust Receipts and Bills Payable	(7,433)	(1,502)
Net Amount Due to Related Parties	560	-
Repayment of Finance Lease Liabilities	(72)	(46)
Proceeds From New Bank Loans	10,495	2,000
Repayment of Bank Loans	(2,118)	(518)
Interest Expense Paid	(711)	(555)
Net Cash Flows From (Used in) Financing Activities	721	(621)
Net Decrease in Cash and Cash Equivalents	(2,667)	(327)
Net Effect of Exchange Rate Changes on Cash and Cash Equivalents	(92)	26
Cash and Cash Equivalents, Beginning Balance	8,531	5,258
Cash and Cash Equivalents, Ending Balance	5,772	4,957

1(d)(i) Statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Total Equity S\$'000	Attributable to Parent Subtotal S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Other Reserves S\$'000	Non-Controlling Interests S\$'000
Current Period (Unaudited):						
Opening Balance at 1 January 2016	54,798	50,787	26,634	23,324	829	4,011
Total Comprehensive (Loss) Income for the Period	(433)	(514)	-	188	(702)	81
Equity-Settled Share-Based Expenses	24	24	-	-	24	-
Closing Balance at 31 March 2016	54,389	50,297	26,634	23,512	151	4,092
Previous Period (Unaudited):						
Opening Balance at 1 January 2015	43,350	40,059	26,634	12,923	502	3,291
Total Comprehensive Income for the Period	1,673	1,506	-	1,125	381	167
Closing Balance at 31 March 2015	45,023	41,565	26,634	14,048	883	3,458

COMPANY	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Others Reserve S\$'000
Current Period (Unaudited):				
Opening Balance at 1 January 2016	26,564	26,634	(189)	119
Total Comprehensive Income for the Period	2,336	-	2,336	-
Equity-Settled Share-Based Expenses	24	-	-	24
Closing Balance at 31 March 2016	28,924	26,634	2,147	143
Previous Period (Unaudited):				
Opening Balance at 1 January 2015	26,776	26,634	142	-
Total Comprehensive Income for the Period	2,168	-	2,168	-
Closing Balance at 31 March 2015	28,944	26,634	2,310	-

Note:

	Group		Company	
	31 March 2016 S\$'000	31 March 2015 S\$'000	31 March 2016 S\$'000	31 March 2015 S\$'000
Other Reserves				
Foreign currency translation reserve	8	883	-	-
Equity-settled share based compensation reserve	143	-	143	-
	151	883	143	-

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Company			
	Unaudited 1Q2016		Unaudited 1Q2015	
	No. of Shares	S\$'000	No. of Shares	S\$'000
Total number of shares at the beginning and end of the period	429,000,000	26,634	429,000,000	26,634

The Company has no outstanding convertibles or treasury shares as at 31 March 2016 and 31 March 2015.

On 1 August 2014, Awards under the Hafary Performance Share Plan ("Hafary PSP") comprising 1,550,000 ordinary shares were granted to certain Group Executives who are not Executive Directors or Independent Directors. This grant of Awards and the details was announced via SGXNET on 1 August 2014. The Awards will be released subject to terms and conditions of the Hafary PSP being met during the Performance Period of three years. In 2015, 250,000 of performance shares were cancelled under the plan.

On 1 March 2016, Awards under the Hafary Performance Share Plan ("Hafary PSP") comprising 250,000 ordinary shares were granted to a Group Executive who is not Executive Director or Independent Director. This grant of Awards and the details was announced via SGXNET on 1 March 2016. The Awards will be released subject to terms and conditions of the Hafary PSP being met during the Performance Period of 16 months.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Company	
Unaudited 31 March 2016	Audited 31 December 2015
429,000,000	429,000,000

1(d)(iv) Statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has no treasury shares as at 31 March 2016 and there were no sale transfer, disposal, cancellation and/ or use of treasury shares during 1Q2016.

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For the Period Ended 31 March 2016

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditor' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group had adopted the new and/or revised Financial Reporting Standards (the "FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2016. Changes to the Group's accounting policies have been made in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and/or revised FRS and INT FRS did not result in any substantial changes or significant impact on the Group's financial statements.

Except for the above, the Group has adopted the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2015.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

As mentioned above, changes to the Group's accounting policies have been made in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and/or revised FRS and INT FRS did not result in any substantial changes or significant impact on the Group's financial statements.

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6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary shares ("EPS") for the period based on profit, net of tax and total comprehensive income attributable to owners of the parent:

	Group	
	Unaudited 1Q2016 (3 months)	Unaudited 1Q2015 (3 months)
Earnings per ordinary share		
(a) Basic		
Weighted average number of ordinary shares	429,000,000	429,000,000
(b) On a fully diluted basis		
Weighted average number of ordinary shares	429,786,000	429,000,000

Dilutive earnings per share are computed using the same basis as basic earnings per share as the dilutive effect of the performance shares is not significant.

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For the Period Ended 31 March 2016

7 Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**(a) current financial period reported on; and****(b) immediately preceding financial year.**

	Group		Company	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Net asset value per ordinary share based on the total number of share in issue	11.7 cents	11.8 cents	6.7 cents	6.2 cents

Note:

Net asset value per ordinary share is calculated based on 429,000,000 ordinary shares as at 31 March 2016 and 31 December 2015.

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For the Period Ended 31 March 2016

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business., including a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

8(a) Material factors that affected turnover, costs and earnings

Revenue

For 1Q2016, the Group registered a revenue of S\$21.8 million compared to S\$25.5 million during 1Q2015.

General segment

For 3 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) decreased by S\$1.3 million or 11.1% from S\$11.7 million during 1Q2015 to S\$10.4 million during 1Q2016.

Project segment

For 3 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) decreased by S\$2.2 million or 16.9% from S\$13.0 million during 1Q2015 to S\$10.8 million during 1Q2016.

Interest Income

Interest income mainly arose from loan to associate, Viet Ceramics International Joint Stock Company ('VCI'), to finance VCI's expansion in Vietnam.

Other Gains

For 1Q2016, other gains comprised mainly of foreign exchange adjustment gains of S\$0.4 million and government grant income of S\$0.2 million.

Other gains during 1Q2015 comprised mainly of government grant income of S\$0.1 million.

Cost of Sales

Cost of sales is computed based on purchases and related expenses net of changes in inventories of finished goods for the respective financial years.

For 3 months ended, cost of sales decreased by S\$3.0 million or 18.6% from S\$16.1 million during 1Q2015 to S\$13.1 million during 1Q2016.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income), purchase cost of goods and related costs, without taking into account labour costs and overheads) of 38.1% for 1Q2016 has improved compared to 35.3% for 1Q2015.

8(a) Material factors that affected turnover, costs and earnings (Continued)

Employee Benefits Expenses

For 3 months ended, employee benefits expenses increased by S\$0.6 million or 15.2% from S\$3.7 million during 1Q2015 to S\$4.3 million during 1Q2016.

The increase was mainly due to annual salary increment with effect from July 2015, overtime expenses incurred and increase in headcount to cope with the increased volume of business of the Group.

As at the end of 1Q2016, the Group had 282 employees (including directors) (End of 1Q2015: 263).

Depreciation Expense

For 3 months ended, depreciation expense increased by S\$0.1 million or 7.9% from S\$0.8 million during 1Q2015 to S\$0.9 million during 1Q2016. The increase was due to increase in property, plant and equipment held by the Group.

Impairment Losses

For 3 months ended, impairment losses decreased by \$0.1 million or 42.9% from S\$0.3 million during 1Q2015 to S\$0.2 million during 1Q2016.

For 1Q2016, the impairment losses was mainly comprised of allowance for impairment of inventories.

Other Losses

For 1Q2016, other losses comprised of fair value losses on derivative financial instruments amounting to S\$0.5 million.

For 1Q2015, other losses mainly comprised of foreign currency adjustment losses of S\$0.2 million and fair value losses on derivative financial instruments of S\$0.2 million.

Finance Costs

For 3 months ended, finance costs increased by S\$0.1 million or 12.3% from S\$0.5 million during 1Q2015 to S\$0.6 million during 1Q2016.

The increase was mainly attributable to interest expense on increased bank borrowings to cope with the increased business of the Group and increase in interest rates.

Other Expenses

For 3 months ended, other expenses increased by S\$0.2 million or 9.7% from S\$2.5 million during 1Q2015 to S\$2.7 million during 1Q2016.

The increase was mainly attributable to an increase in rental expense resulted from the increased business of the Group.

The above increase was partially offset by decrease in professional fee, hire of motor vehicle and machinery and casual labour.

8(a) Material factors that affected turnover, costs and earnings (Continued)

Share of Profit from Equity-Accounted Associate

For 1Q2015 and 1Q2016, share of profit from associate, VCI, amounted to S\$0.2 million for each respective quarter.

Share of Loss from Equity-Accounted Joint Venture

Share of profit from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S\$0.1 million during 1Q2015 and 1Q2016.

Profit Before Income Tax

For 3 months ended, profit before income tax decreased by S\$1.1 million or 78.4% from S\$1.4 million during 1Q2015 to S\$0.3 million during 1Q2016.

The lower profit before income tax for 1Q2016 was largely due to decrease in revenue during 1Q2016 and increase in employee benefits expenses and other expenses. Excluding share of profits from associate and joint venture amounting to S\$0.1 million (1Q2015: share of profits of S\$0.1 million), profit before income tax generated from recurring activities was S\$0.2 million for 1Q2016 (1Q2015: S\$1.3 million).

Other Comprehensive Income

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The effective tax rate (excluding deferred tax, share of results from equity-accounted associate and joint venture) for 1Q2016 and 1Q2015 were 14.7% and 10.9% respectively.

8(b) Material factors that affected cash flow, working capital, assets or liabilities

Non-Current Assets

Non-current assets increased by S\$6.5 million or 5.8% from S\$111.5 million as at 31 December 2015 to S\$118.0 million as at 31 March 2016.

Property, plant and equipment increased by S\$6.7 million from S\$97.9 million as at 31 December 2015 to S\$104.6 million as at 31 March 2016. The increase was mainly due to:

- a) Capitalisation of land rents, construction cost, property tax and borrowing costs during redevelopment to leasehold property at 18 Sungei Kadut Street 2 amounting to S\$7.3 million;
- b) Addition of plant and equipment amounting to S\$0.3 million; and
- c) Addition of motor vehicles amounting to S\$0.1 million.

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S\$0.8 million and foreign exchange loss adjustment amounting to S\$0.2 million.

The decrease in other asset (Land use rights relating to leasehold land in Foshan, China) amounting to S\$0.2 million was due to foreign exchange adjustment.

The increase in investment in associate amounting to S\$0.2 million pertained to share of profits from VCI during 1Q2016. The decrease in investment in joint venture amounting to S\$0.1 million pertained to share of loss from MSPL.

Other financial asset decreased by S\$0.1 million from S\$3.0 million as at 31 December 2015 to S\$2.9 million as at 31 March 2016. The decrease was due to foreign exchange loss adjustment amounting to S\$0.1 million.

Current Assets

Current assets decreased by S\$13.3 million or 13.0% from S\$102.6 million as at 31 December 2015 to S\$89.3 million as at 31 March 2016.

The decrease was mainly attributable to decrease in trade and other receivables by S\$10.1 million, decrease in other assets by S\$0.3 million and decrease in cash and cash equivalents by S\$2.8 million.

Trade receivables turnover as at 31 March 2016 is 91 days compared to 97 days as at 31 December 2015.

The decrease in other assets from S\$3.8 million as at 31 December 2015 to S\$3.5 million as at 31 March 2016 is mainly due to decrease in advance payment to suppliers.

Non-Current Liabilities

Non-current liabilities increased by S\$8.0 million or 12.1% from S\$66.2 million as at 31 December 2015 to S\$74.2 million as at 31 March 2016.

Other financial liabilities (non-current) increased by S\$8.0 million mainly due to proceeds from drawdown of loans pertaining to development of World Furnishing Hub by a subsidiary.

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For the Period Ended 31 March 2016

8(b) Material factors that affected cash flow, working capital, assets or liabilities (Continued)

Current Liabilities

Current liabilities decreased by S\$14.4 million or 15.5% from S\$93.0 million as at 31 December 2015 to S\$78.6 million as at 31 March 2016.

The decrease was mainly attributable to decrease in other financial liabilities by S\$7.1 million, trade and other payables by S\$7.1 million, income tax payable by S\$0.2 million, provision by S\$0.1 million and other liabilities by S\$0.3 million. The increase was partially offset by derivative financial instruments by S\$0.4 million.

Total amount of trade payables and trust receipts and bills payable to banks was S\$39.0 million (31 December 2015: S\$53.0 million). The turnover of the aforesaid items (based on cost of sales) is 187 days as at 31 March 2016 (31 December 2015: 205 days).

The decrease in other financial liabilities was mainly due to decrease in trust receipts and bills payable to banks by S\$7.4 million and net repayment of loan amounting to S\$0.3 million.

Other Reserves

This pertained to foreign exchange difference on translating foreign operations and equity-settled share-based compensation reserve.

8(b) Material factors that affected cash flow, working capital, assets or liabilities (Continued)

Cash Flows Review

1Q2016

Net cash flows from operating activities was S\$6.5 million due to operating cash flows before working capital changes of S\$2.1 million and net cash flows from working capital of S\$4.6 million and income taxes paid of S\$0.2 million. The net cash flows from working capital of S\$4.6 million was mainly attributable to a decrease in trade and other receivables of S\$10.2 million and increase in other assets of S\$0.3 million. This was partially offset by a decrease in trade and other payables of S\$5.5 million, other liabilities of S\$0.3 million and provision of S\$0.1 million.

Net cash flows used in investing activities amounting to S\$9.9 million for 1Q2016 was attributable to cash outflows of S\$9.9 million for purchase of property, plant and equipment.

Net cash flows from financing activities amounting to S\$0.7 million for 1Q2016 was mainly attributable by the proceeds from new bank loans of S\$10.5 million and amount due to related parties of S\$0.5 million.

This was partially offset by the followings:

- a) Decrease in trust receipt and bills payables of S\$7.4 million;
- c) Repayment of finance lease liabilities of S\$0.1 million;
- d) Repayment of bank loans of S\$2.1 million; and
- e) Interest expenses paid of S\$0.7 million.

As a result of the above, there was a net decrease of S\$2.7 million in cash and cash equivalents for 1Q2016. Cash and cash equivalents as at 31 March 2016 was S\$5.8 million.

HAFARY HOLDINGS LIMITED

For the Period Ended 31 March 2016

9 Where a forecast, or a prospect statement, had been previously disclosed to shareholders, any variance between it and the actual results.

There is no material variance between the information previously disclosed in Paragraph 10 of the results announcement for the year ended 31 December 2015 and the actual results for the year ended 31 March 2016.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The Building and Construction Authority of Singapore (BCA) projected construction demand of between S\$27 billion and S\$34 billion for year 2016, with about 65% driven by public sector demand. Key projects in year 2016 include the ramp-up in the Home Improvement Programme for Housing Development Board (HDB) flats, the construction of the new National Cancer Centre, State Courts' new building at Havelock Square and remaining contracts for the Thomson-East Coast MRT line. For 2017 to 2020, BCA expects construction demand to range between S\$26 billion and S\$37 billion each year, with 60% from building projects and the remaining from civil engineering projects.

The Group remains vigilant to market changes and alert to take on any opportunities locally and overseas to grow our business.

11 Dividend

(a) Dividend declared for the current financial period

	1Q2016
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	429,000
Dividend per share	0.5 cent

(b) Dividend declared for the corresponding period of the immediately preceding financial year

	1Q2015
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	429,000
Dividend per share	0.5 cent

(c) Date Payable

Payment of the interim dividend will be made on 8 June 2016.

(d) Books closure date

Share Transfer Books and Register of Members of the Company will be closed on 31 May 2016 for the preparation of dividend payment. Duly stamped and completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 30 May 2016 will be registered to determine shareholders' entitlements to the interim dividend.

12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13 Interested Person Transactions ("IPTs")

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000)	
	Not conducted under shareholders' mandate pursuant to Rule 920	Conducted under shareholders' mandate pursuant to Rule 920
	1Q2016 S\$'000	1Q2015 S\$'000
Purchase from MML Marketing Pte Ltd	546	-
Purchase from Malaysian Mosaics Sdn Bhd	448	-

14 CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, Low Kok Ann and Low See Ching, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements for 1Q2016 to be false or misleading in any material aspect.

15 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1) of the Listing Manual.

BY ORDER OF THE BOARD

Low Kok Ann
Executive Director and Chief Executive Officer

5 May 2016