



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 Third Quarter ("3Q2017") and 9 Months ("9M2017")  
Ended 30 September 2017

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**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

**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			Group		
	Unaudited 3Q2017	Unaudited 3Q2016	Increase/ (Decrease)	Unaudited 9M2017	Unaudited 9M2016	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	(Decrease) %	(9 months) S\$'000	(9 months) S\$'000	(Decrease) %
Revenue	30,715	29,702	3.4	85,806	78,921	8.7
Dividend Income	-	-	N.M.	-	12	N.M.
Interest Income	13	13	-	48	52	(7.7)
Other Gains	67	366	(81.7)	291	260	11.9
Changes in Inventories of Finished Goods	(576)	1,638	N.M.	1,266	2,158	(41.3)
Purchases and Related Costs	(17,933)	(19,146)	(6.3)	(52,217)	(49,108)	6.3
Employee Benefits Expenses	(4,671)	(4,519)	3.4	(13,579)	(12,944)	4.9
Amortisation and Depreciation Expense	(1,528)	(1,083)	41.1	(4,564)	(2,861)	59.5
Impairment Losses	(306)	(231)	32.5	(1,140)	(459)	148.4
Other Losses	(118)	(306)	(61.4)	(369)	(94)	292.6
Finance Costs	(932)	(670)	39.1	(2,662)	(1,892)	40.7
Other Expenses	(2,571)	(2,892)	(11.1)	(8,314)	(8,290)	0.3
Share of Profit from an Equity-Accounted Associate	880	331	165.9	2,132	951	124.2
Share of Profit (Loss) from an Equity-Accounted Joint Venture	19	13	46.2	(134)	(58)	131.0
<b>Profit Before Tax</b>	<b>3,059</b>	<b>3,216</b>	<b>(4.9)</b>	<b>6,564</b>	<b>6,648</b>	<b>(1.3)</b>
Income Tax Expense	(466)	(507)	(8.1)	(983)	(989)	(0.6)
<b>Profit, Net of Tax</b>	<b>2,593</b>	<b>2,709</b>	<b>(4.3)</b>	<b>5,581</b>	<b>5,659</b>	<b>(1.4)</b>
<b>Other Comprehensive Loss:</b>						
<b>Items that may be reclassified subsequently to Profit or Loss:</b>						
Exchange Differences on Translating Foreign Operations, Net of Tax	(116)	(9)	N.M.	(575)	(966)	(40.5)
<b>Other Comprehensive Loss for the Period, Net of Tax</b>	<b>(116)</b>	<b>(9)</b>	<b>1,188.9</b>	<b>(575)</b>	<b>(966)</b>	<b>(40.5)</b>
<b>Total Comprehensive Income</b>	<b>2,477</b>	<b>2,700</b>	<b>(8.3)</b>	<b>5,006</b>	<b>4,693</b>	<b>6.7</b>
<b>Profit, Net of Tax Attributable to:</b>						
- Owners of the Parent	2,774	2,740	1.2	5,885	5,445	8.1
- Non-Controlling Interests	(181)	(31)	N.M.	(304)	214	N.M.
	<b>2,593</b>	<b>2,709</b>	<b>(4.3)</b>	<b>5,581</b>	<b>5,659</b>	<b>(1.4)</b>
<b>Total Comprehensive Income Attributable to:</b>						
- Owners of the Parent	2,658	2,731	(2.7)	5,310	4,479	18.6
- Non-Controlling Interests	(181)	(31)	N.M.	(304)	214	N.M.
	<b>2,477</b>	<b>2,700</b>	<b>(8.3)</b>	<b>5,006</b>	<b>4,693</b>	<b>6.7</b>

**Notes:**

(1) N.M. = Not meaningful.

(2) 3Q2016 = Third quarter ended 30 September 2016

(3) 9M2016 = 9 months ended 30 September 2016

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

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

	Group			Group		
	Unaudited 3Q2017	Unaudited 3Q2016	Increase/ (Decrease)	Unaudited 9M2017	Unaudited 9M2016	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	(Decrease) %	(9 months) S\$'000	(9 months) S\$'000	(Decrease) %
Interest Expense on Borrowings	(932)	(670)	39.1	(2,662)	(1,892)	40.7
Interest Income on Borrowings	13	13	-	48	52	(7.7)
Amortisation and Depreciation Expense	(1,528)	(1,083)	41.1	(4,564)	(2,861)	59.5
Allowance for Impairment of Trade Receivables	-	(32)	N.M.	(183)	(148)	23.6
Allowance for Impairment of Trade Receivables, Reversal	-	-	N.M.	-	58	N.M.
Bad Debts Recovered - Trade Receivables	-	1	N.M.	36	39	(7.7)
Bad Debts Written-Off - Trade Receivables	(25)	(19)	31.6	(35)	(50)	(30.0)
Net Allowance for Impairment of Inventories	(281)	(181)	55.2	(958)	(358)	167.6
Foreign Exchange Adjustment Gain (Loss)	45	(304)	N.M.	130	(94)	N.M.
Fair Value (Loss) Gain on Derivative Financial Instruments	(117)	361	N.M.	(368)	13	N.M.
Adjustment for Over Provision of Tax in respect of Prior Years	-	-	N.M.	79	5	N.M.
Gain (Loss) on Disposal of Plant and Equipment	4	(2)	N.M.	-	6	N.M.
Dividend Income	-	-	N.M.	-	12	N.M.

## 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 30 September 2017 S\$'000	Audited 31 December 2016 S\$'000	Unaudited 30 September 2017 S\$'000	Audited 31 December 2016 S\$'000
<b>ASSETS</b>				
<b>Non-Current Assets:</b>				
Property, Plant and Equipment	112,112	114,371	184	234
Other Asset	4,394	4,597	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in Associate	8,989	7,088	-	-
Investment in Joint Venture	138	272	-	-
Investment Property	4,251	4,265	-	-
Other Financial Assets	2,522	2,569	488	488
<b>Total Non-Current Assets</b>	<b>132,406</b>	<b>133,162</b>	<b>9,911</b>	<b>9,961</b>
<b>Current Assets:</b>				
Inventories	51,650	50,876	-	-
Trade and Other Receivables	35,158	33,615	29,158	26,864
Derivative Financial Instruments	-	292	-	-
Other Assets	4,135	4,250	19	4
Other Financial Asset	-	656	-	-
Cash and Cash Equivalents	5,354	4,438	24	30
<b>Total Current Assets</b>	<b>96,297</b>	<b>94,127</b>	<b>29,201</b>	<b>26,898</b>
<b>Total Assets</b>	<b>228,703</b>	<b>227,289</b>	<b>39,112</b>	<b>36,859</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Share Capital	26,930	26,634	26,930	26,634
Retained Earnings (Accumulated Losses)	30,944	27,204	2,195	(243)
Other Reserves	(472)	337	-	234
<b>Equity, Attributable to Owners of the Parent</b>	<b>57,402</b>	<b>54,175</b>	<b>29,125</b>	<b>26,625</b>
Non-Controlling Interests	3,055	3,552	-	-
<b>Total Equity</b>	<b>60,457</b>	<b>57,727</b>	<b>29,125</b>	<b>26,625</b>
<b>Non-Current Liabilities:</b>				
Deferred Tax Liabilities	538	509	-	-
Other Financial Liabilities	88,025	90,039	66	88
<b>Total Non-Current Liabilities</b>	<b>88,563</b>	<b>90,548</b>	<b>66</b>	<b>88</b>
<b>Current Liabilities:</b>				
Provision	541	523	-	-
Income Tax Payable	1,285	1,651	-	1
Trade and Other Payables	18,474	22,160	9,890	10,112
Other Financial Liabilities	58,478	53,658	31	33
Other Liabilities	829	1,022	-	-
Derivative Financial Instruments	76	-	-	-
<b>Total Current Liabilities</b>	<b>79,683</b>	<b>79,014</b>	<b>9,921</b>	<b>10,146</b>
<b>Total Liabilities</b>	<b>168,246</b>	<b>169,562</b>	<b>9,987</b>	<b>10,234</b>
<b>Total Equity and Liabilities</b>	<b>228,703</b>	<b>227,289</b>	<b>39,112</b>	<b>36,859</b>

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

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**

	<b>Group</b>			
	Unaudited		Audited	
	As at 30 September 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	31,532	-	29,399	-
Trust Receipts and Bills Payable to Banks	26,531	-	23,733	-
Finance Lease Liabilities	415	-	526	-
	<b>58,478</b>	<b>-</b>	<b>53,658</b>	<b>-</b>

**Amount repayable after one year**

	<b>Group</b>			
	Unaudited		Audited	
	As at 30 September 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	87,514	-	89,380	-
Finance Lease Liabilities	511	-	659	-
	<b>88,025</b>	<b>-</b>	<b>90,039</b>	<b>-</b>

**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) 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 by a subsidiary is secured by first legal mortgage over the leasehold property. 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.

Borrowings drawn down in relation to acquisition of freehold property at 532 Balestier Road Singapore 329859 by a subsidiary is secured by first legal mortgage over the freehold property. It is also covered by corporate guarantee from Hafary Holdings Limited and personal guarantee from a director.

Trust Receipts and Bills Payable to Banks

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

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

**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		Group	
	Unaudited 3Q2017	Unaudited 3Q2016	Unaudited 9M2017	Unaudited 9M2016
	(3 months) S\$'000	(3 months) S\$'000	(9 months) S\$'000	(9 months) S\$'000
<b>Cash Flows From Operating Activities</b>				
Profit Before Income Tax	3,059	3,216	6,564	6,648
Adjustment for:				
Interest Expense	932	670	2,662	1,892
Interest Income	(13)	(13)	(48)	(52)
Dividend income	-	-	-	(12)
Share of Profit from Associate	(880)	(331)	(2,132)	(951)
Share of (Profit) Loss from Joint Venture	(19)	(13)	134	58
Equity-Settled Share-Based Expenses	-	30	62	84
Depreciation of Investment Property	5	-	14	-
Depreciation of Property, Plant and Equipment	1,490	1,050	4,451	2,760
Amortisation of Other Asset	33	33	99	101
(Gain) Loss on Disposal of Property, Plant and Equipment	(4)	2	-	(6)
Fair Value Loss (Gain) on Derivative Financial Instruments	117	(361)	368	(13)
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	173	(131)	(62)	(107)
Operating Cash Flows Before Changes in Working Capital	4,893	4,152	12,112	10,402
Inventories	810	(1,497)	(774)	(1,900)
Trade and Other Receivables	(1,632)	(1,142)	(1,507)	8,399
Other Assets	(250)	859	115	111
Provision	(11)	133	18	24
Trade and Other Payables	(1,404)	1,699	(3,291)	(2,687)
Other Liabilities	(419)	(201)	(193)	(160)
Net Cash Flows From Operations	1,987	4,003	6,480	14,189
Income Taxes Paid	(528)	(1,061)	(1,320)	(2,861)
<b>Net Cash Flows From Operating Activities</b>	<b>1,459</b>	<b>2,942</b>	<b>5,160</b>	<b>11,328</b>
<b>Cash Flows From Investing Activities</b>				
Purchase of Property, Plant and Equipment	(2,030)	(9,782)	(2,946)	(27,262)
Purchase of Investment Property	-	-	-	(4,279)
Proceeds from Disposal of Property, Plant and Equipment	3	-	5	17
Dividend Received from Joint Venture	-	-	-	49
Dividend Received	-	-	-	12
Interest Received	1	-	12	16
Decrease in Other Financial Assets	-	-	656	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(2,026)</b>	<b>(9,782)</b>	<b>(2,273)</b>	<b>(31,447)</b>
<b>Cash Flows From Financing Activities</b>				
Dividends Paid to Equity Owners	-	-	(2,145)	(2,145)
Dividends Paid to Non-Controlling Interests	-	-	(193)	(348)
Capital Contribution from Non-Controlling Interests	-	-	-	150
Increase (Decrease) in Trust Receipts and Bills Payable	2,168	871	2,798	(7,328)
Net Amount Due to Related Parties	-	575	437	1,681
Repayment of Finance Lease Liabilities	(156)	(122)	(486)	(300)
Increase from New Borrowings	1,342	8,245	3,842	30,834
Repayment of Bank Loans	(2,068)	(679)	(3,573)	(3,933)
Interest Expense Paid	(899)	(814)	(2,635)	(2,518)
Decrease in Cash Restricted in Use	-	-	-	-
<b>Net Cash Flows From (Used in) Financing Activities</b>	<b>387</b>	<b>8,076</b>	<b>(1,955)</b>	<b>16,093</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(180)</b>	<b>1,236</b>	<b>932</b>	<b>(4,026)</b>
<b>Net Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(4)</b>	<b>20</b>	<b>(16)</b>	<b>(111)</b>
Cash and Cash Equivalents, Beginning Balance	5,538	3,138	4,438	8,531
<b>Cash and Cash Equivalents, Ending Balance</b>	<b>5,354</b>	<b>4,394</b>	<b>5,354</b>	<b>4,394</b>

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

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.

<b>GROUP</b>	<b>Total Equity S\$'000</b>	<b>Attributable to Parent Subtotal S\$'000</b>	<b>Share Capital S\$'000</b>	<b>Retained Earnings S\$'000</b>	<b>Other Reserves (Note 1) S\$'000</b>	<b>Non- Controlling Interests S\$'000</b>
<b>Current Period (Unaudited):</b>						
Opening Balance at 1 January 2017	57,727	54,175	26,634	27,204	337	3,552
Total Comprehensive Income (Loss) for the Period	41	58	-	455	(397)	(17)
Equity-Settled Share-Based Expenses	30	30	-	-	30	-
Closing Balance at 31 March 2017	57,798	54,263	26,634	27,659	(30)	3,535
Total Comprehensive Income (Loss) for the Period	2,488	2,594	-	2,656	(62)	(106)
Equity-Settled Share-Based Expenses	32	32	-	-	32	-
Dividends Paid (Note 2)	(2,145)	(2,145)	-	(2,145)	-	-
Dividends Paid to Non-Controlling Interests	(193)	-	-	-	-	(193)
Closing Balance at 30 June 2017	57,980	54,744	26,634	28,170	(60)	3,236
Total Comprehensive Income (Loss) for the Period	2,477	2,658	-	2,774	(116)	(181)
Issuance of New Ordinary Shares on Vesting of Hafary Performance Share Plan	-	-	296	-	(296)	-
Closing Balance at 30 September 2017	60,457	57,402	26,930	30,944	(472)	3,055
<b>Previous Period (Unaudited):</b>						
Opening Balance at 1 January 2016	54,798	50,787	26,634	23,324	829	4,011
Total Comprehensive Income (Loss) 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
Total Comprehensive Income (Loss) for the Period	2,426	2,262	-	2,517	(255)	164
Capital contribution by Non Controlling interest	150	-	-	-	-	150
Equity-Settled Share-Based Expenses	30	30	-	-	30	-
Dividends Paid (Note 2)	(2,145)	(2,145)	-	(2,145)	-	-
Dividends Paid to Non-Controlling Interests	(348)	-	-	-	-	(348)
Closing Balance at 30 June 2016	54,502	50,444	26,634	23,884	(74)	4,058
Total Comprehensive Income (Loss) for the Period	2,700	2,731	-	2,740	(9)	(31)
Equity-Settled Share-Based Expenses	30	30	-	-	30	-
Closing Balance at 30 September 2016	57,232	53,205	26,634	26,624	(53)	4,027

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

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.

COMPANY	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Other Reserves (Note 1) S\$'000
<b>Current Period (Unaudited):</b>				
Opening Balance at 1 January 2017	26,625	26,634	(243)	234
Total Comprehensive Income for the Period	2,410	-	2,410	-
Equity-Settled Share-Based Expenses	30	-	-	30
Closing Balance at 31 March 2017	29,065	26,634	2,167	264
Total Comprehensive Income for the Period	12	-	12	-
Equity-Settled Share-Based Expenses	32	-	-	32
Dividends Paid (Note 2)	(2,145)	-	(2,145)	-
Closing Balance at 30 June 2017	26,964	26,634	34	296
Total Comprehensive Income for the Period	2,161	-	2,161	-
Issuance of New Ordinary Shares on Vesting of Hafary Performance Share Plan	-	296	-	(296)
Closing Balance at 30 September 2017	29,125	26,930	2,195	-
<b>Previous Period (Unaudited):</b>				
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
Total Comprehensive Income for the Period	7	-	7	-
Equity-Settled Share-Based Expenses	30	-	-	30
Dividends Paid (Note 2)	(2,145)	-	(2,145)	-
Closing Balance at 30 June 2016	26,816	26,634	9	173
Total Comprehensive Income for the Period	2,183	-	2,183	-
Equity-Settled Share-Based Expenses	30	-	-	30
Closing Balance at 30 September 2016	29,029	26,634	2,192	203

Note 1:

Other Reserves	Group		Company	
	30 Sept 2017 S\$'000	30 Sept 2016 S\$'000	30 Sept 2017 S\$'000	30 Sept 2016 S\$'000
Foreign Currency Translation Reserve	(472)	(256)	-	-
Equity-Settled Share-Based Compensation Reserve	-	203	-	203
	(472)	(53)	-	203

Note 2:

Dividends on Equity Shares	Unaudited 9M2017 S\$'000	Unaudited 9M2016 S\$'000
	2,145	2,145

Interim tax exempt (1-tier) dividend paid of:

- 0.5 cent per share on total number of issued ordinary shares of 429,000,000

2,145

2,145



**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately financial year.

Total Number of Shares	Company			
	Unaudited 9M2017		Unaudited 9M2016	
	No. of Shares('000)	S\$'000	No. of Shares('000)	S\$'000
At the beginning of the reporting period	429,000	26,634	429,000	26,634
Performance Share Plan	1,550	296	-	-
At the end of the reporting period	430,550	26,930	429,000	26,634

During the period ended 30 September 2017, the number of performance shares granted, vested and cancelled under the Hafary PSP are as follows:

Grant Date	Number of Hafary performance shares				
	As at 1 January 2017 No. of Shares('000)	Granted during the period	Vested during the period No. of Shares('000)	Cancelled/Lapsed during the period	As at 30 September 2017
1 August 2014	1,300	-	(1,300)	-	-
1 March 2016	250	-	(250)	-	-
	1,550	-	(1,550)	-	-

On 3 July 2017, the Company issued and allotted 1,550,000 new ordinary shares in the issued and paid-up capital of the Company to the selected eligible employees of the Company pursuant to the vesting of Awards under the Hafary PSP.

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 30 September 2017	Audited 31 December 2016
430,550,000	429,000,000

1(d)(iv) Statement showing all sales, transfers, 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 30 September 2017 and there were no sale transfer, disposal and/ or use of treasury shares during 9M2017.

1(d)(v) Statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There was no subsidiary holdings during the current financial period reported on.

**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 2017. 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 2016.

**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.

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

- 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 share ("EPS") for the period based on profit, net of tax and total comprehensive income attributable to owners of the parent:

	Group		Group	
	Unaudited 3Q2017 (3 months)	Unaudited 3Q2016 (3 months)	Unaudited 9M2017 (9 months)	Unaudited 9M2016 (9 months)
EPS:				
(a) Basic	0.64 cents	0.64 cents	1.37 cents	1.27 cents
(b) Fully diluted basis	0.64 cents	0.64 cents	1.37 cents	1.27 cents

Basic EPS ratio is calculated by dividing profit, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during each reporting year.

The dilutive effect derives from performance shares. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each period ended. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the period ended and (2) upon issuance of performance shares which (if any) would have a dilutive effect.

**HAFARY HOLDINGS LIMITED**

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**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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2017</b>	<b>31 December 2016</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Net asset value ("NAV") per ordinary share based on the total number of issued shares	13.3 cents	12.6 cents	6.8 cents	6.2 cents

Note:

NAV per ordinary share is calculated based on 430,550,000 and 429,000,000 ordinary shares in issue as at 30 September 2017 and 31 December 2016 respectively.

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 3Q2017, the Group registered a revenue of S\$30.7 million compared to S\$29.7 million during 3Q2016. For 9M2017, the Group registered a revenue of S\$85.8 million compared to S\$78.9 million during 9M2016.

#### General segment

For 3 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S\$0.5 million or 3.2% from S\$15.5 million during 3Q2016 to S\$16.0 million during 3Q2017. For 9 months ended, revenue from general segment increased by S\$6.7 million or 18.4% from S\$36.4 million during 9M2016 to S\$43.1 million during 9M2017.

#### Project segment

For 3 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S\$0.5 million or 3.7% from S\$13.6 million during 3Q2016 to S\$14.1 million during 3Q2017. For 9 months ended, revenue from project segment increased by S\$4.5 million or 12.4% from S\$36.4 million during 9M2016 to S\$40.9 million during 9M2017.

#### Interest Income

This pertains to a loan of US\$1 million (equivalent to approximately S\$1.4 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their business expansion in Vietnam.

#### Other Gains

For 3Q2017, other gains comprised mainly of foreign exchange adjustment gain of S\$45,000 and other gains of S\$18,000.

Purchase of inventories are mainly denominated in United States Dollar (USD) and Euro. The Group entered into foreign currency forward contracts to hedge against fluctuations of exchange rates in USD and Euro. The difference between foreign currency forward contract rates and forward market rates as at period end date would then be recorded under 'Other Gains' or 'Other Losses'.

Other gains during 9M2017 mainly comprised of foreign exchange adjustment gains of S\$0.1 million, compensation received of S\$0.1 million and government grant income of, such as those from wages credit scheme and temporary employment credit, amounting to of S\$0.1 million.

For 3Q2016, other gains comprised mainly of fair value gains on derivative financial instruments of S\$0.4 million. Other gains during 9M2016 mainly comprised of government grant income, such as those from wages credit scheme and temporary employment credit, amounting to S\$0.2 million and compensation received of S\$0.1 million.

#### Other Losses

For 3Q2017 and 9M2017, other losses comprised mainly of derivative financial instruments losses of S\$0.1 million and S\$0.4 million respectively. Derivative financial instruments refer to foreign currency forward contracts. 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.

Purchase of inventories are mainly denominated in United States Dollar (USD) and Euro. The Group entered into foreign currency forward contracts to hedge against fluctuations of exchange rates in USD and Euro. The difference between foreign currency forward contract rates and forward market rates as at period end date would then be recorded under 'Other Gains' or 'Other Losses'.

For 3Q2016, other losses comprised mainly of foreign exchange adjustment losses of S\$0.3 million. Other losses during 9M2016 mainly comprised of foreign exchange adjustment losses 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 increased by S\$1.0 million or 5.7% from S\$17.5 million during 3Q2016 to S\$18.5 million during 3Q2017. For 9 months ended, cost of sales increased by S\$4.0 million or 8.5% from S\$47.0 million during 9M2016 to S\$51.0 million during 9M2017.

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 39.4% for 3Q2017 (9M2017: 39.3%) was comparable to 39.8% for 3Q2016 (9M2016: 39.1%).

**8(a) Material factors that affected turnover, costs and earnings (Continued)****Employee Benefits Expense**

For 3 months ended, employee benefits expense increased by S\$0.2 million or 3.4% from S\$4.5 million during 3Q2016 to S\$4.7 million during 3Q2017. For 9 months ended, employee benefits expense increased by S\$0.6 million or 4.9% from S\$12.9 million during 9M2016 to S\$13.5 million during 9M2017. As at 30 September 2017, the Group had 323 employees (including directors) (30 September 2016: 318).

The increase was mainly due to annual salary increment with effect from July 2017, overtime expenses incurred and increase in headcount to cope with the increased volume of business of the Group.

**Amortisation and Depreciation Expense**

For 3 months ended, amortisation and depreciation expense increased by S\$0.4 million or 41.1% from S\$1.1 million during 3Q2016 to S\$1.5 million during 3Q2017. For 9 months ended, amortisation and depreciation expenses increased by S\$1.7 million or 59.5% from S\$2.9 million during 9M2016 to S\$4.6 million during 9M2017. The increase was mainly due to commencement of depreciation of 18 Sungei Kadut Street 2 Singapore 729236 (World Furnishing Hub Pte Ltd) after development of the premise was completed in August 2016.

**Impairment Losses**

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

The management assesses the collectability of trade receivables regularly, considering various factors such as financial status of the Group's customers and age of trade debts. Impairment on specific trade receivables would be made if the chance of recovery is very low.

Impairment of inventories is assessed quarterly considering the age of inventory items and prevailing market demand of inventory category.

Impairment losses increased by S\$0.1 million from S\$0.2 million during 3Q2016 to S\$0.3 million during 3Q2017. For 9 months ended, impairment losses increased by S\$0.7 million or 148.4% from S\$0.5 million during 9M2016 to S\$1.2 million during 9M2017. The increase in impairment losses was mainly arising from the increase in allowance for impairment of inventories.

**Finance Costs**

For 3 months ended, finance costs increased by S\$0.2 million or 39.1% from S\$0.7 million during 3Q2016 to S\$0.9 million during 3Q2017. For 9 months ended, finance cost increased by S\$0.8 million or 40.7% from S\$1.9 million during 9M2016 to S\$2.7 million during 9M2017. The increase in finance costs was mainly due to interest expense on bank borrowings to finance acquisition and construction of World Furnishing Hub after its development was completed in August 2016.

**Other Expenses**

For 3 months ended, other expenses decreased by S\$0.3 million or 11.1% from S\$2.9 million during 3Q2016 to S\$2.6 million during 3Q2017.

The decrease in other expenses were mainly attributable to the cessation of rental of a warehousing space in Changi North Way in end March 2017 and Mid of July 2017 as the Group relocate to the new warehouse located at 18 Sungei Kadut Street 2 Singapore 729236 (World Furnishing Hub Pte Ltd). The decrease was partially offset by the increase in property tax pertaining to leasehold property at 18 Sungei Kadut Street 2 after redevelopment of the leasehold property was completed.

For 9 months ended, other expenses was S\$8.3 million during 9M2016 and 9M2017.

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

**Share of Profit from an Equity-Accounted Associate**

For 3Q2017, share of profit from associate, VCI, amounted to S\$0.9 million (3Q2016: S\$0.3 million). For 9M2017, share of profit from associate amounted to S\$2.1 million (9M2016: S\$1.0 million). The increase in share of profit is due to improved financial performance of VCI under the backdrop of a better economic climate and increased construction activities in Vietnam.

**Share of Profit (Loss) from an Equity-Accounted Joint Venture**

For 3Q2017, share of profit from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S\$19,000 (3Q2016: S\$13,000). For 9M2017, share of losses from joint venture was S\$134,000 (9M2016: S\$58,000). Loss reported by MSPL for 9M2017 and 9M2016 is mainly due to lower level of operations during the first half of the year.

**Profit Before Income Tax**

For 3 months ended, profit before income tax decreased by S\$0.1 million or 4.9% from S\$3.2 million during 3Q2016 to S\$3.1 million during 3Q2017. For 9 months ended, profit before income tax decreased by S\$0.1 million or 1.3% from S\$6.6 million during 9M2016 to S\$6.5 million during 9M2017.

Excluding share of profits from associate and joint venture amounting to S\$0.9 million (3Q2016: S\$0.3 million), profit before income tax generated from recurring activities was S\$2.2 million for 3Q2017 (3Q2016: S\$2.9 million). For 9 months ended, excluding share of profit from associate and joint venture amounting to S\$2.0 million (9M2016: S\$0.9 million), profit before income tax generated from recurring activities was S\$4.6 million for 9M2017 (9M2016: S\$5.7 million).

The lower profit before income tax generated from recurring activities was largely due to the increase in depreciation expense, finance costs and employees benefits expense and is partially offset by increase in gross profit.

**Other Comprehensive Income**

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. Income tax expense was lower in 9M2017 because of lower taxable profits.

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

Non-Current Assets

Non-current assets decreased by S\$0.8 million or 0.6% from S\$133.2 million as at 31 December 2016 to S\$132.4 million as at 30 September 2017.

Property, plant and equipment decreased by S\$2.3 million or 2.0% from S\$114.4 million as at 31 December 2016 to S\$112.1 million as at 30 September 2017 mainly due to depreciation expense amounting to S\$4.5 million and foreign exchange loss adjustment amounting to S\$0.1 million. These were partially offset by the addition of property, plant and equipment during the period which include:

- a) Construction cost of leasehold property at 18 Sungei Kadut Street 2 amounting to S\$0.6 million;
- b) Addition of plant and equipment amounting to S\$1.3 million; and
- c) Addition of motor vehicles amounting to S\$0.4 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 loss adjustment of S\$0.1 million and amortisation expense of S\$0.1 million.

The net increase in investment in associate and joint venture amounting to S\$1.8 million pertained to shares of profits amounting to S\$2.0 million from VCI and MSPL during 9M2017 and partially offset by exchange differences on translating associate foreign operation amounting to S\$0.2 million.

Investment property pertains to 532 Balestier Road Singapore 329859.

Other financial assets pertain to the Group's investment in shares of SMJ International Holdings Limited (Listed on SGX Catalist) and a tile wholesale company in China. The decrease of S\$0.1 million from S\$2.6 million as at 31 December 2016 to S\$2.5 million as at 30 September 2017 was due to foreign exchange adjustment.

Current Assets

Current assets increased by S\$2.2 million or 2.3% from S\$94.1 million as at 31 December 2016 to S\$96.3 million as at 30 September 2017.

The increase was mainly due to increase in trade and other receivables amounting to S\$1.6 million, cash and cash equivalents amounting to S\$0.9 million and inventories amounting to S\$0.8 million. The above increase in current assets was partially offset by a decrease in other assets by S\$0.1 million, other financial assets by S\$ 0.7 million and derivative financial instrument by S\$0.3 million.

Derivative financial instruments pertained outstanding foreign currency forward contracts as at 30 September 2017. The difference between forward contract rates and the forward market rates may resulted in fair value gain or loss. This fair value gain or loss will be recorded in profit or loss under other gains or other losses and correspondingly recorded as a current asset or current liability in statement of financial position.

Other financial assets pertained to investment in short-term (7 to 14 days) fixed income fund, which is designated as available-for-sales financial assets. These financial assets were redeemed in 1Q2017.

Trade receivables turnover as at 30 September 2017 is 104 days compared to 103 days as at 31 December 2016. Inventory turnover day as at 30 September 2017 is 272 days compared to 285 days as at December 2016.

Non-Current Liabilities

Non-current liabilities decreased by S\$2.0 million or 2.2% from S\$90.5 million as at 31 December 2016 to S\$88.5 million as at 30 September 2017. The decrease is mainly due to monthly repayment of loans of S\$3.3 million and proceeds from new loans of S\$1.3 million.



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

Current Liabilities

Current liabilities increased by S\$0.7 million or 0.8% from S\$79.0 million as at 31 December 2016 to S\$79.7 million as at 30 September 2017.

The increase was mainly attributable to the increase in other financial liabilities of S\$4.8 million and derivative financial instruments of S\$0.1 million which was partially offset by the decrease in trade and other payables by S\$3.7 million, provision for taxation by S\$0.3 million and other liabilities of S\$0.2 million.

Total amount of trade payables and trust receipts and bills payable to banks was S\$37.1 million (31 December 2016: S\$38.2 million). The turnover of the aforesaid items (based on cost of sales) is 182 days as at 30 September 2017 compared to 182 days as at 31 December 2016.

The increase in other financial liabilities was mainly due to loan drawdown amounting to S\$2.8 million and increase in trust receipts and bills payable to banks by S\$2.1 million.

The decrease in other liabilities was mainly due to decrease in advance payment received from customers.

Other Reserves

This pertains 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

**3Q2017**

Net cash flows from operating activities was S\$1.5 million due to operating cash flows before working capital changes of S\$4.9 million and net cash flows used in working capital of S\$2.9 million and income taxes paid of S\$0.5 million. The net cash flows used in working capital of S\$2.9 million was mainly attributable to increase in trade and other receivables of S\$1.6 million, increase in other assets of S\$0.3 million decrease in trade and other payable of S\$1.4 million and decrease in other liabilities of S\$0.4 million. This was partially offset by a decrease in inventories of S\$0.8 million.

Net cash flows used in investing activities amounting to S\$2.0 million for 3Q2017 was attributable to cash outflow for purchase of property, plant and equipment.

Net cash flows from financing activities amounting to S\$0.4 million for 3Q2017 was mainly attributable by the increase in trust receipt and bills payable of S\$2.2 million and proceeds from new bank loan of S\$1.3 million. This was partially offset by the repayment of interest expenses of S\$0.9 million and repayment of bank loan and finance lease liabilities of S\$2.2 million.

As a result of the above, there was a net decrease of S\$0.2 million in cash and cash equivalents for 3Q2017. Cash and cash equivalents as at 30 September 2017 was S\$5.4 million.

**9M2017**

Net cash flows from operating activities was S\$5.2 million due to operating cash flows before working capital changes of S\$12.1 million and net cash flows used in working capital of S\$5.6 million and income taxes paid of S\$1.3 million. The net cash flows used in working capital of S\$5.6 million was mainly attributable to an increase in inventories of S\$0.7 million, increase in trade and other receivables of S\$1.5 million, decrease in trade and other payables of S\$3.3 million and decrease in other liabilities of S\$0.2 million. This was partially offset by decrease in other assets of S\$0.1 million.

Net cash flows used in investing activities amounting to S\$2.3 million for 9M2017 was attributable to cash outflows of S\$3.0 million for purchase of property, plant and equipment and was partially offset by decrease in other financial assets by S\$0.7 million.

Net cash flows used in financing activities amounting to S\$2.0 million for 9M2017 was mainly attributable by the dividend paid to equity owners and non-controlling interests of S\$2.3 million, repayment of interest expenses of S\$2.6 million and repayment of bank loan and finance lease liabilities of S\$4.1 million.

This was partially offset by the following:

- a) Proceeds from new bank loan of S\$3.8 million;
- b) Increase in trust receipt and bills payables of S\$2.8 million; and
- c) Increase in net amount due to related parties of S\$0.4 million.

As a result of the above, there was a net increase of S\$0.9 million in cash and cash equivalents for 9M2017. Cash and cash equivalents as at 30 September 2017 was S\$5.4 million.

**HAFARY HOLDINGS LIMITED**

For the Period Ended 30 September 2017

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

None.

- 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\$28 billion and S\$35 billion for 2017, with about 70% contributed by public sector demand. Key projects in 2017 include a steady pipeline of new public housing construction, upgrading works for HDB flats and redevelopment projects.

For 2018 and 2021, BCA expects construction demand to range between S\$26 billion and S\$37 billion each year, with about 65% from public projects and the remaining from private 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**

	3Q2017
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.5 cent

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

	3Q2016
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**

To be announced later.

**(d) Books closure date**

To be announced later.

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

Please refer to 11(a) above.

**13 Interested Person Transactions ("IPTs")**

Name of Interested Persons and Nature of IPTs	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000)	
	Conducted under shareholders' mandate pursuant to Rule 920	Not conducted under shareholders' mandate pursuant to Rule 920
	9M2017 S\$'000	9M2017 S\$'000
Purchases of goods:		
MML Marketing Pte Ltd	797	-
Malaysian Mosaics Sdn Bhd	5,193	-

General mandate for IPT was renewed at the Annual General Meeting held on 11 April 2017.

**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 3Q2017 and 9M2017 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 of the Listing Manual) under Rule 720 (1) of the Listing Manual.

BY ORDER OF THE BOARD

Low Kok Ann  
Executive Director and Chief Executive Officer

3 November 2017