

HAFARY

Holdings Limited

Annual Report 2020



*The Leading
Building Material Supplier
Since 1980*



CONTENTS

1	Corporate Profile
2	Our Products
8	CEO's Statement
10	Board of Directors
14	Key Management
15	Group Structure
16	Financial Highlights
18	Financial Review
23	Sustainability Report
37	Corporate Information
38	Corporate Governance Statement
60	Statement by Directors and Financial Statements

CORPORATE PROFILE

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

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

Wood Culture Pte. Ltd. complements Hafary’s businesses by offering wood and vinyl flooring. Joint venture, Melmer Stoneworks Pte. Ltd., specializing in the fabrication, polishing and profiling of stone and marble slabs for household and commercial purposes.

Hafary’s Vietnam associate, Viet Ceramics International Joint Stock Company, is its first foray into the overseas tile retailing market. Foshan Hafary Trading Co., Limited, Hafary’s wholly owned export agent in China, provides opportunities for the Group to widen its procurement and business network. Hafary’s China joint venture, Guangdong ITA Element Building Materials Co., Limited, is principally involved in the designing and production of glazed porcelain tiles. Hafary’s Myanmar joint venture, Hafary Myanmar Company Limited, marked the Group’s foray into the developing market of Myanmar. Hafary Trading Sdn. Bhd., a wholly-owned subsidiary incorporated in September 2020 to venture into Malaysia’s market.

Corporate headquarters and main showroom of Hafary is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836. The group’s main warehouse is located at 3 Changi North Street 1 Singapore 498824 and 18 Sungei Kadut Street 2, World Furnishing Hub, Singapore 729236.

General

Retail customers may purchase our products directly from our four showrooms located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, 18 Sungei Kadut Street 2, World Furnishing Hub, Level 7, Singapore 729236, 560 Balestier Road Singapore 329876 and 18 Boon Lay Way #01-132 Tradehub 21 Singapore 609966. At our showrooms, customers can look forward to a wide variety of product displays, mock ups of living spaces and amicable service by our showroom sales team. Retail customers include architecture, interior design and renovation firms, who make ad-hoc purchases for small projects such as home renovation or small property development.

Project

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





Dedicated to bringing design ideas to life, we market and distribute a comprehensive range of premium tiles for selection. Backed by our strong sourcing and procurement network, we are able to offer quality products at competitive prices.

OUR PRODUCTS

TILES



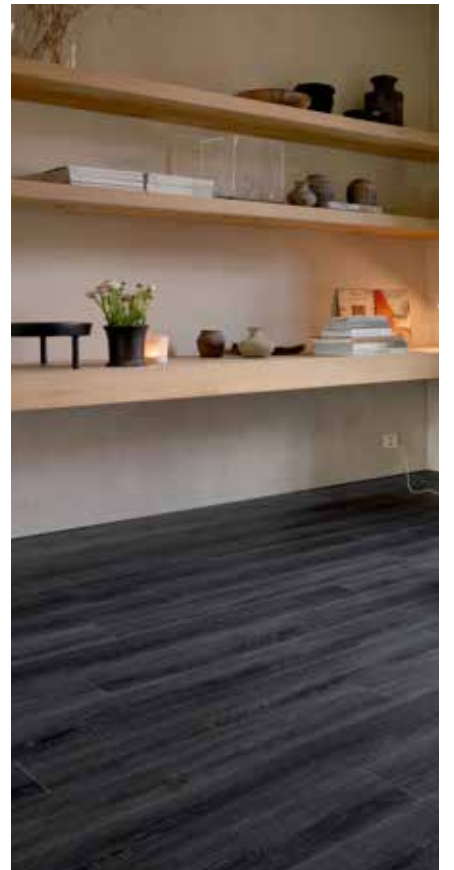


Luxury and innovation goes hand in hand with our selection of natural and exotic stone. Carefully sourced from around the world, we bring in new selections regularly to inspire and provide endless design possibilities.

OUR PRODUCTS

.....STONE

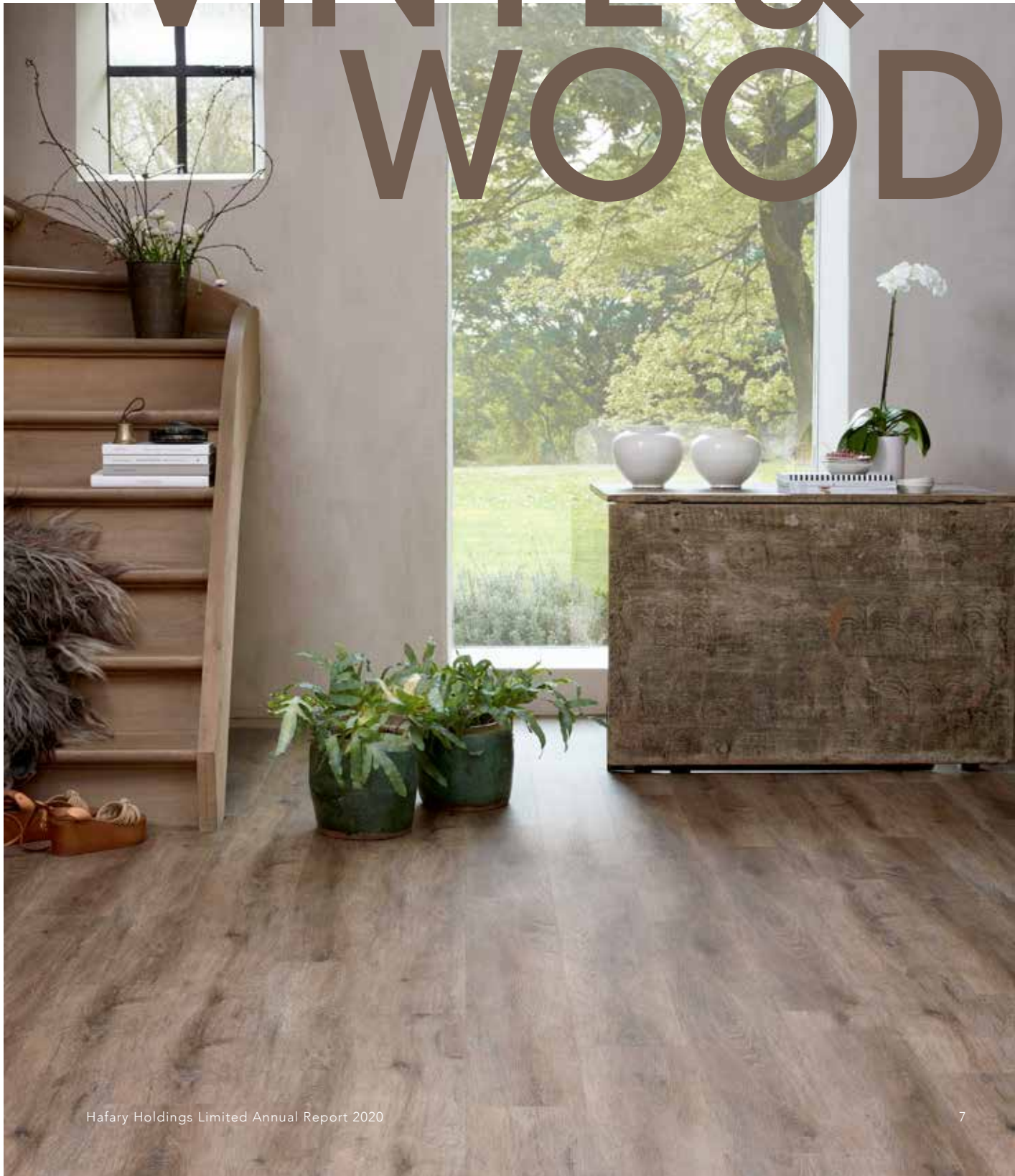




We offer a wide array of flooring solutions ranging from vinyl planks and tiles to solid timber and engineered wood. The product range meets current aesthetics and technical requirement to ensure the satisfaction of every customer.

OUR PRODUCTS

..... VINYL & WOOD



CEO'S STATEMENT

On behalf of the Board of Directors of Hafary Holdings Limited ("Hafary", the "Company" or the "Group"), I am pleased to present you with the Group's Annual Report for the financial year ended 31 December 2020 ("FY2020").

GROUP REVENUE

In FY2020, the Group registered a revenue of S\$84.3 million, a decrease of 22.2% from S\$108.4 million during FY2019. This was a result of lower revenues generated by the General and Project segments due to the challenging economic conditions brought about by the COVID-19 pandemic.

The General segment was affected by temporary closures of the Group's retail showrooms in Singapore from 7 April to 18 June 2020 following the imposition of the nationwide Circuit Breaker by the Singapore Government to curb the spread of the virus, while the Project segment experienced delays in the execution and completion of existing projects. The construction industry was severely hit by manpower shortages due to the outbreak of infections among foreign workers, especially those living in dormitories.

The General segment brought in revenue totalling S\$53.9 million in FY2020, a decrease of S\$7.7 million or 12.6% from S\$61.6 million during FY2019. The Project segment produced a revenue of S\$27.1 million in FY2020, a decrease of S\$16.5 million or 37.8% from S\$43.5 million during FY2019.

Profit before tax declined by S\$5.3 million or 45.9% from S\$11.6 million during FY2019 to S\$6.3 million during FY2020.

DIVIDEND ANNOUNCEMENT

The Group remains steadfast towards enhancing shareholder value. The Board is pleased to announce that although the Group is facing significant impediments due to the pandemic and garnered a lower level of profit in FY2020, the Group declared and paid an interim dividend of 0.25 Singapore cents per ordinary share during the year. The Board is also proposing a final dividend of 0.75 Singapore cents per ordinary share for approval at the forthcoming Annual General Meeting.

SINGAPORE BUSINESS

During FY2020, we carried on with the expansion our extensive product portfolio with numerous new and exquisite collections by world-leading designers to keep ourselves positioned clearly as the premium supplier of the largest range of tiles in Singapore. Our stunning new collections, inspired by the beauty of nature and the environment, included reinterpreted stones, stylish patterned tiles, practical wood effect tile solutions and realistic marble effect tiles – all of which combine functionality, elegance, pleasing aesthetics and cutting-edge technology, in both bold and subtle designs to suit every taste.

At The Stone Gallery, we continued to provide a unique destination for visitors to experience the beauty of natural stone in true-to-life settings, featuring the incredible craftsmanship of top European designers Antolini, Salvatori, Petra Antiqua and Kreoo.



Low Kok Ann
Executive Director & CEO

As part of our marketing initiatives to bolster sales during the pandemic, we ran exciting promotions, such as our first-ever natural stone sale that offered up to 50% off the collection in September, and an enticing sale of up to 70% off tiles in November. We also ran social media campaigns on platforms such as Facebook, Instagram and YouTube from September onwards, featuring videos that shared product knowledge and generated interest with the public.

In addition, we held online events for the education community, which includes schools and polytechnics, during the Circuit Breaker periods by making use of online platforms such as Zoom. We conducted virtual tours of our showroom to interior design and architectural students that introduced them to the different types of surfacing materials, such as tiles, stones and woods – arming them with valuable knowledge on the best and most technologically-advanced products available in the industry, while at the same time reinforcing the Hafary brand name in their minds from an early stage. As these students graduate and join real estate design-related industries, such initiatives have proven instrumental in strengthening communication, encouraging interaction and fostering future working relationships.

Hafary played a part in helping the community by participating in Clean Toilets @ North West in January, an initiative by the North West Community Development Council (CDC) to encourage better public toilet hygiene standards and improve toilet safety for the elderly. Hafary was proud to contribute the tiles that are being used in the "model" public toilet.

At all Hafary showrooms, we remain vigilant and are taking appropriate safety measures towards preventing the spread of COVID-19. These include temperature screenings all at entrances, masks for frontline staff, staff travel and health declaration, vigorous cleaning protocols, and the implementation of SafeEntry to facilitate contact tracing. The Company will continue with current practices and keep abreast with the latest announcements and legal requirements issued by the Singapore government

CEO'S STATEMENT

in relation to COVID-19. We have also extended the operating hours of Hafary Gallery, Hafary Balestier and Hafary Tradehub21 to accommodate more visitors daily.

OVERSEAS INVESTMENTS

Malaysia

In line with our expansion plans, we are pleased to announce that the Group's wholly-owned subsidiary, Hafary Pte Ltd, incorporated a wholly-owned subsidiary in Malaysia, known as Hafary Trading Sdn. Bhd. ("HTSB") on 28 September 2020, to enable us to capture any potential trading and distribution opportunities in future.

Vietnam

The Group's associate, Viet Ceramics International Joint Stock Company ("VCI"), a tile retailing company in Vietnam, contributed profits of S\$1.8 million during FY2020, a fall of S\$2.2 million or 55.7% from S\$4.0 million in FY2019, which was a consequence of the outbreak of COVID-19.

As part of its humanitarian commitment towards supporting Mekong's people, VCI was delighted to sponsor funds to build a concrete bridge to significantly improve travel and transportation for the local community. On 15 October, VCI and the My Nhon Commune People's Committee coordinated with the branch of Nhon Hoa Hamlet to hold the handover ceremony of the new bridge in Nhon Hoa Hamlet, My Nhon Commune, Ba Tri District, Ben Tre Province. The first bridge built in the hamlet, it now crucially provides a safe way to cross the complex system of rivers and canals in the Mekong Delta area, and is helping to drive economic growth. During the ceremony, VCI also awarded 10 bicycles to children in need.

Myanmar

The Group's joint venture company Hafary Myanmar Co. Ltd ("Hafary Myanmar") continued to be actively involved in various residential, commercial and industrial development projects in Myanmar during FY2020. With the recent developments in Myanmar arising from the military coup bringing uncertainty and unrest to the country, the performance of Hafary Myanmar may be affected in the next financial year.

A special mention of appreciation to our team at Hafary Myanmar who spread some cheer to the community in June by posting a video on Hafary Myanmar's Facebook page, of staff dancing in the Hafary showroom to the "Go Away, Corona" song. In October, we were also moved by the staff at Hafary Myanmar who gathered funds to donate two patient monitors and two syringe pumps for COVID-19 patients at Yangon General Hospital.

As with Hafary Singapore, Hafary Myanmar is taking similar and appropriate measures to protect its employees and customers against the spread of COVID-19. Additional measures included the setting up of a cross-functional Coronavirus Response Team and a domestic news channel on social media to broadcast relevant updates pertaining to the pandemic.

OUTLOOK

Based on data released by the Ministry of Trade and Industry ("MTI"), the Singapore economy contracted by 5.4% in 2020 as a result of the disruption to economic

activities caused by the COVID-19 pandemic. MTI has maintained the GDP growth forecast for 2021 at "4.0 to 6.0 per cent".

The construction sector shrank by 27.4% on a year-on-year basis in the fourth quarter, which was an improvement from the 52.5% contraction in the preceding quarter. This was due to the resumption of more construction activities in the second half of 2020. Overall in 2020, the construction sector weakened by 35.9%, a sharp decline from the 1.6% growth shown in 2019, as a consequence of the slowdown in both public sector and private sector construction works.

The Building and Construction Authority Singapore ("BCA") has projected construction demand of between S\$23 billion and S\$28 billion for 2021, with the public sector contributing about 65% of the total demand – this is an encouraging increase and improved outlook compared to the preliminary estimate of S\$21.3 billion for 2020.

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

The Group will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry downturn and COVID-19 pandemic.

SUSTAINABILITY

Since our successful launch of Singapore's very first mobile app for tiles and surfacing materials, we are thrilled that the Hafary app has been welcomed by home owners and industry professionals to aid them in their interior and architectural design projects. Hafary continues to provide innovative features in the mobile app for users.

Hafary's associate and companies in Singapore, China, Vietnam and Myanmar are proactively and frequently in communication and interaction with the public through social media, with engaging content such as regular posts on our product range, events, promotions, featured customer sites and community activities, and are seeing very positive response in our strategic efforts to reinforce our brand, strengthen customer ties and encourage sales through digital platforms.

IN APPRECIATION

Especially during these difficult times, I would like to express my wholehearted, fervent gratitude to my fellow Directors for their vital and valued counsel, to all our stakeholders for their inestimable support towards the Group, and finally, to our management and employees for their talented capability, strength, kindness and good cheer. We will continue to strategise to thrive and expand amidst uncertain economic circumstances, as an established brand that customers and industry have trusted in for over 40 years.

LOW KOK ANN

Executive Director & CEO

BOARD OF DIRECTORS



Ong Beng Chye

**Independent
Non-Executive Chairman**

Mr Ong Beng Chye was appointed as Lead Independent Director on 10 November 2009 and was re-elected on 13 April 2018. He was appointed as the Independent Non-Executive Chairman of our Company on 6 March 2015. He graduated with a Bachelor of Science with Honours Degree from The City University, London in 1990 and has more than 25 years of experience in the finance sector. Mr Ong is currently a Director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an Independent Director of other listed companies in Singapore. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising Chartered Accountant (Singapore).

Mr Ong is retiring at the forthcoming AGM and being eligible, has offered himself for re-election as Director. Mr Ong will stand for continued appointment as Independent Director at the forthcoming AGM.

Other present directorship:

Geo Energy Resources Limited
IPS Securex Holdings Limited
CWX Global Limited
ES Group (Holdings) Limited

Past directorship (Preceding three years):

Heatec Jietong Holdings Ltd.
Kitchen Culture Holdings Ltd.



Low Kok Ann

**Executive Director and
Chief Executive Officer**

Mr Low Kok Ann was appointed as Executive Director of our Company on 6 October 2009. He was one of the founders of the main subsidiary of our Company, Hafary Pte Ltd, and has been an Executive Director since its incorporation in 1980. His wealth of experience in the tile industry has been pivotal to our success and growth. He was appointed as Chief Executive Officer ("CEO") of our Company on 1 February 2014. On 6 March 2015, Mr Low relinquished his role of Executive Chairman. As the CEO, his primary responsibility is to formulate and oversee the corporate and strategic development and overall management and operations of our Group. Mr Low attained a Government Higher School Certificate (Chinese) in 1969. He was re-elected as Executive Director of our Company on 22 June 2020.

Other present directorship:

NIL

Past directorship (Preceding three years):

NIL

BOARD OF DIRECTORS



Datuk Edward Lee Ming Foo, JP

**Non-Independent
Non-Executive Director**

Datuk Edward Lee Ming Foo, JP was appointed as a Non-Independent Non-Executive Director of our Company on 6 March 2015. He graduated with a Degree in Bachelor of Arts from the McMaster University in Canada in 1977.

Datuk Edward Lee is presently the Managing Director of Hap Seng Consolidated Berhad ("HSCB") and Hap Seng Plantations Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, he is the Managing Director of Gek Poh (Holdings) Sdn Bhd, the holding company of HSCB. HSCB is also the 50.82% major shareholder of the Company.

Datuk Edward Lee is retiring at the forthcoming AGM and being eligible, has offered himself for re-election as Director.

Other present directorship:

Hap Seng Consolidated Berhad
Hap Seng Plantations Holdings Berhad

Past directorship (Preceding three years):

NIL



Low See Ching

**Non-Independent
Non-Executive Director**

Mr Low See Ching was appointed as the Non-Independent Non-Executive Director on 31 January 2014. Prior to this appointment, he served in the Board as Executive Director and in the Company as CEO. He joined the main subsidiary of our Company, Hafary Pte Ltd, in 2000 and rose through the ranks from Sales Executive to CEO in 2005. As the CEO, he was responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies. Mr Low is presently the Executive Director and Deputy CEO of Oxley Holdings Limited, listed on the Mainboard of Singapore Exchange. Mr Low graduated with a Bachelor of Accountancy Degree from Nanyang Technological University, Singapore in 1999. He was re-elected as Director of the Company on 24 April 2019.

Other present directorship:

Oxley Holdings Limited
Aspen (Group) Holdings Limited (Alternate Director)

Past directorship (Preceding three years):

NIL

BOARD OF DIRECTORS



Cheah Yee Leng

Non-Independent
Non-Executive Director

Ms Cheah Yee Leng was appointed as a Non-Independent Non-Executive Director of our Company on 6 March 2015. She holds a Bachelor of Economics Degree and Bachelor of Laws Degree from Monash University in Australia.

Ms Cheah joined Hap Seng Consolidated Berhad ("HSCB") group of companies in 1997 and was appointed an Executive Director of HSCB on 1 June 2014. She is presently the Director of Corporate Affairs and the Legal Counsel of HSCB Group.

Ms Cheah is also an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") and a Non-Independent Non-Executive Director of Paos Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, she is the Group Company Secretary of HSP.

Other present directorship:

Hap Seng Consolidated Berhad
Hap Seng Plantations Holdings Berhad
Paos Holdings Berhad

Past directorship (Preceding three years):

NIL



Yong Teak Jan @ Yong Teck Jan

Non-Independent
Non-Executive Director

Mr Yong Teak Jan @ Yong Teck Jan was appointed as a Non-Independent Non-Executive Director of our Company on 18 January 2018. Mr Yong graduated with a Bachelor of Science with Honours in Chemistry from the University of Malaya, Malaysia.

He has more than 25 years of experience in the building material and engineering industries in Malaysia and Singapore. He had held various positions such as business development, sales and marketing, export, manufacturing and procurement scopes in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited.

He is currently a director and the Chief Operating Officer of building materials - general trading business of Hap Seng Consolidated Berhad and Malaysian Mosaics Sdn Bhd, which trades and distributes ceramic tiles under the 'MML' brand name, one of Malaysia's leading brands in ceramic tiles with more than five decades in the market.

Mr Yong is retiring at the forthcoming AGM and being eligible, has offered himself for re-election as Director.

Other present directorship:

NIL

Past directorship (Preceding three years):

NIL

BOARD OF DIRECTORS



Terrance Tan Kong Hwa
Independent Director

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Mr Terrance Tan Kong Hwa was appointed as an Independent Director of our Company on 10 November 2009 and was re-elected on 24 April 2019. He has more than 30 years of experience in the banking and private equity/ venture capital industry. He is currently a Partner/ Director of Providence Capital Management Pte Ltd, a private equity fund management and consultancy firm that he co-founded in 2007. Mr Tan graduated with a Degree in Bachelor of Science (Estate Management) (Honours) from the National University of Singapore in 1989.

Mr Tan will stand for continued appointment as Independent Director at the forthcoming AGM.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL



Foo Yong How
Independent Director

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Mr Foo Yong How was appointed as an Independent Director of our Company on 9 July 2020. Mr Foo has more than 10 years of experience in investment banking, business development and wealth management. He was appointed as Chief Corporate Officer in Sapphire Corporation Limited (listed on SGX Mainboard), assisting the CEO of Sapphire in key functions which includes formulation of strategic planning in mergers and acquisition, new business opportunities and corporate finance related activities. He can contribute to the Group with his expertise in the strategic planning and corporate finance activities.

He was formerly the General Manager of International Healthway Corporation Ltd (now known as OUE Lippo Healthcare Ltd), assisting the Board of Directors in the management and supervision of operations, financial management and marketing, as well as being part of the Interim Transition Committee, when the new Board of directors was appointed with the existing CEO being suspended of all executive functions and power.

He has also worked in UOB Kay Hian where he was involved in structuring both public and private deals in the investment banking field and international capital markets. He has co-led numerous successful IPO deals in diverse sectors, such as real estate, medical and resources. He graduated with a BSc in Electrical Engineering from the National University of Singapore in 2003, and is a CFA® Charterholder.

Mr Foo is retiring at the forthcoming AGM and being eligible, has offered himself for re-election as Director.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

KEY MANAGEMENT

Tay Eng Kiat Jackson **Chief Operating Officer & Company Secretary**

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Mr Tay joined our Group in 2009. He is currently the Chief Operating Officer and Company Secretary of the Group. He oversees the operational and corporate secretarial functions, which includes business development and investor relations. He also superheads overall corporate and strategic development in Singapore and overseas.

Mr Tay has more than 18 years of experience in Accounts and Finance functions of various entities in the public and private sector.

Mr Tay is also the Chairman and Independent Director of Sim Leisure Group Ltd and Independent Director of OUE Lippo Healthcare Limited, both of which are companies listed on the Catalist Board of the SGX-ST. He was also appointed as Non-Executive Independent Director of Sapphire Corporation Limited, a company listed on the SGX main board.

He holds a Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University, Singapore and is member of the Institute of Singapore Chartered Accountants.

Koh Yew Seng Mike **Director – Logistics**

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

Goh Keng Boon Frank **Project Director**

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Mr Goh joined our Group in 2004. He heads the Project Sales and Marketing team of Surface Project Pte Ltd, a key subsidiary involved in private sector project sales and leads the execution of its corporate sales strategies. Mr Goh has more than 15 years of experience in the tile industry. He graduated with a Bachelor Degree in Building Management from RMIT University, Australia in 2001.

Cheong Ching Hing Simon **Business Development Director / HR Director**

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Mr Cheong joined our Group in 2010. He oversees the Marketing and Human Resources function and plays an active role in developing various business divisions. Mr Cheong has more than 17 years of experience in the tile industry. He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic in 1991 and has a Diploma in Salesmanship from Managing & Marketing Sales Association (United Kingdom).

Tay Chye Heng Stephen **Public Project Director**

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Mr Tay joined our Group in 2011 to set up and lead the Public Project Department specialising in the supply of building materials for use in Housing Development Board ("HDB") flats and government buildings.

Mr Tay has more than 30 years of experience and held various key positions in his past employments in the tile industry. He attained his General Certificate of Education 'O' Levels in 1974.

Lee Yee Fei Mandy **Financial Controller**

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Ms Lee joined our Group in 2015 as Assistant Finance Manager and has been the Finance Manager since 2016. She was promoted to the position of Financial Controller with effect from 1 March 2020. She oversees the Group's finance and corporate functions, including financial reporting, tax, treasury, internal controls, governance and regulatory compliance. Ms Lee has more than 10 years of working experience in the area of audit, finance and accounting. She is a non-practising Chartered Accountant (Singapore).

GROUP STRUCTURE

HAFARY HOLDINGS LIMITED UEN: 200918637C

100%

HAFARY PTE LTD
UEN: 198001531R

SINGAPORE

70%

SURFACE PROJECT PTE. LTD.
UEN: 200500263N

90%

SURFACE STONE PTE. LTD.
UEN: 200906485D

100%

WOOD CULTURE PTE. LTD.
UEN: 201007442H

100%

HAFARY CENTRE PTE. LTD.
UEN: 201026113W

100%

MARBLE TRENDS PTE. LTD.
UEN: 201309646E

46%

WORLD FURNISHING HUB PTE. LTD.
UEN: 201317854K (Subsidiary)

100%

HAFARY TRADEMARKS PTE. LTD.
UEN: 201526416M

56%

GRES UNIVERSAL PTE. LTD.
UEN: 201610591C

51%

HAFARY BALESTIER
SHOWROOM PTE. LTD.
UEN: 201603055M

33.33%

HAFARY MYANMAR
INVESTMENT PTE. LTD.
UEN: 201834571E (Joint Venture)

50%

MELMER STONWORKS PTE. LTD.
UEN: 201216143E (Joint Venture)

100%

HAFARY W+S PTE. LTD.
UEN: 201834344K

100%

HAFARY VIETNAM PTE. LTD.
UEN: 201120831H

100%

HAFARY INTERNATIONAL
PTE. LTD.
UEN: 201305688M

100%

HAFARY BUILDING
MATERIALS PTE. LTD.
UEN: 201724020R

OVERSEAS

100%

FOSHAN HAFARY TRADING CO., LTD
UEN: 440600400022964
(Subsidiary incorporated in China)

50%

GUANGDONG ITA ELEMENT
BUILDING MATERIALS CO., LIMITED
UEN: 91440604MA4WQTML60
(Joint venture incorporated in China)

49%

VIET CERAMICS INTERNATIONAL
JOINT STOCK COMPANY
UEN: 0311028311
(Associate incorporated in Vietnam)

100%

HAFARY TRADING SDN. BHD.
UEN: 202001030234(1386554-D)
(Subsidiary incorporated in Malaysia)

FINANCIAL HIGHLIGHTS

For the Year	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue - General	53,853	61,589	70,949	60,637	56,176
Revenue - Project	27,062	43,516	46,053	52,795	50,920
Revenue - Others	3,400	3,335	2,997	2,402	2,539
Total Revenue	84,315	108,440	119,999	115,834	109,635
Revenue - General (% of total revenue)	63.9%	56.8%	59.1%	52.3%	51.2%
Revenue - Project (% of total revenue)	32.1%	40.1%	38.4%	45.6%	46.4%
Earnings before interest, income taxes and depreciation (EBITDA)	16,664	23,734	21,741	19,497	16,510
EBITDA margin (%)	19.8%	21.9%	18.1%	16.8%	15.1%
Finance cost (i.e. Interest expense)	3,261	4,535	4,161	3,607	2,717
Profit before income tax	6,260	11,574	11,989	9,839	9,502
Profit before income tax margin (%)	7.4%	10.7%	10.0%	8.5%	8.7%
Net Profit	5,535	10,005	10,119	8,432	7,909
Net Profit margin (%)	6.6%	9.2%	8.4%	7.3%	7.2%
Profit after income taxes and non-controlling interest (PATNCI)	5,260	10,087	10,723	8,745	8,170
PATNCI margin (%)	6.2%	9.3%	8.9%	7.5%	7.5%

For the Year	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	133,375	139,867	131,863	135,393	133,162
Current assets	91,490	99,112	104,589	95,122	94,127
Total assets	224,865	238,979	236,452	230,515	227,289
Non-current liabilities	92,275	88,468	83,653	87,478	90,548
Current liabilities	59,122	79,524	86,606	81,959	79,014
Total liabilities	151,397	167,992	170,259	169,437	169,562
Total debt	127,089	144,664	143,367	144,953	143,697
Cash and cash equivalents	5,211	7,559	6,063	5,996	4,438
Net debt	121,878	137,105	137,304	138,957	139,259
Shareholders' equity	71,309	68,963	64,012	58,032	54,175
Total equity	73,468	70,987	66,193	61,078	57,727
Number of ordinary shares ('000)	430,550	430,550	430,550	430,550	429,000
Weighted average number of ordinary shares ('000)					
- Basic	430,550	430,550	430,550	429,769	429,000
- Diluted	430,550	430,550	430,550	429,769	430,262
Share price at year end (cents)	14.0	15.0	16.4	17.5	20.0
Market capitalisation as at year end date	60,277	64,583	70,610	75,346	85,800

FINANCIAL HIGHLIGHTS

For the Year Financial Ratios	2020	2019	2018	2017	2016
PROFITABILITY					
Revenue growth (%)	-22.2%	-9.6%	3.6%	5.7%	-10.7%
PATNCI growth (%)	-47.9%	-5.9%	22.6%	7.0%	-44.4%
Return on assets (%) (PATNCI/ Total assets)	2.3%	4.2%	4.5%	3.8%	3.6%
Return on equity (%) (PATNCI/ Average shareholders' equity)	7.5%	15.2%	17.6%	15.6%	15.6%
LIQUIDITY					
Current ratio (times)	1.5	1.2	1.2	1.2	1.2
Cash as per share (cents)	1.2	1.8	1.4	1.4	1.0
Net assets per share (cents)	16.6	16.0	14.9	13.5	12.6
LEVERAGE					
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	1.7	2.0	2.1	2.4	2.6
Interest cover (times) (EBITDA/ Finance cost)	5.1	5.2	5.2	5.4	6.1
INVESTORS' RATIO					
Earnings per share (cents) (Basic and fully diluted)	1.2	2.3	2.5	2.0	1.9
Gross dividend per share (cents) - Interim	0.3	0.5	0.5	1.0	1.0
Gross dividend per share (cents) - Final	0.7	0.5	0.5	0.5	-
Total gross dividend per share (cents) (DPS)	1.0	1.0	1.0	1.5	1.0
Gross dividend yield (%) based on year end share price	7.1%	6.7%	6.1%	8.6%	5.0%
Gross dividend payout (%) (Gross dividend/ Profit after tax attributable to shareholders)	61.4%	42.7%	40.2%	49.1%	52.5%

FINANCIAL REVIEW

	FY2020 S\$'000	FY2019 S\$'000	Change S\$'000	Change %
Statement of Comprehensive Income				
Revenue	84,315	108,440	(24,125)	(22.2)
Interest Income	105	96	9	9.4
Other Gains	3,683	283	3,400	N.M.
Changes in Inventories of Goods Held for Resale	446	(2,002)	2,448	N.M.
Purchases and Related Costs	(44,571)	(57,416)	12,845	(22.4)
Employee Benefits Expense	(16,163)	(19,906)	3,743	(18.8)
Amortisation and Depreciation Expense	(7,248)	(7,721)	473	(6.1)
Impairment Losses	(4,404)	(1,485)	(2,919)	196.6
Other Losses	(575)	(61)	(514)	N.M.
Finance Costs	(3,261)	(4,535)	1,274	(28.1)
Other Expenses	(7,910)	(8,244)	334	(4.1)
Share of Profit from An Equity-Accounted Associate	1,775	4,007	(2,232)	(55.7)
Share of Profit from Equity-Accounted Joint Ventures	68	118	(50)	(42.4)
Profit Before Income Tax	6,260	11,574	(5,314)	(45.9)
Income Tax Expense	(725)	(1,569)	844	(53.8)
Profit, Net of tax	5,535	10,005	(4,470)	(44.7)
Other Comprehensive Income (Loss)				
Items that may be reclassified subsequently to profit or loss				
Exchange Differences on Translating Foreign Operations, net of tax	315	(530)	845	N.M.
Total Comprehensive Income for the Year, Net of Tax	5,850	9,475	(3,625)	(38.3)
Profit (Loss) Attributable to:				
- Owners of the Parent, Net of Tax	5,260	10,087	(4,827)	(47.9)
- Non-Controlling Interest, Net of Tax	275	(82)	357	N.M.
	5,535	10,005	(4,470)	(44.7)
Total Comprehensive Income (Loss) Attributable to:				
- Owners of the Parent	5,575	9,557	(3,982)	(41.7)
- Non-Controlling Interests	275	(82)	357	N.M.
	5,850	9,475	(3,625)	(38.3)

REVENUE

During FY2020, the Group registered revenue of S\$84.3 million compared to S\$108.4 million in FY2019, the decline is mainly due to a contraction in business activities, as a result of the COVID-19 pandemic and its related countermeasures.

The revenue from general segment decreased by S\$7.7 million or 12.6% from S\$61.6 million during FY2019 to S\$53.9 million during FY2020. The decrease was mainly due to temporary closure of Group's retail showrooms for two-month-long Circuit Breaker measures implemented by Singapore Government to curb the outbreak of COVID-19.

The revenue from project segment decreased by S\$16.5 million or 37.8% from S\$43.5 million during FY2019 to S\$27.1 million during FY2020. Following the easing of the circuit breaker, the pace of work resumption had been slow amid manpower disruption from the workers' movement

control, additional safe management measures at the worksites and other regulations. These have collectively impacted construction progress and, consequently, weighed down the segment's performance.

INTEREST INCOME

For FY2020, 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 FY2019, interest income mainly derived from 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, and US\$1.5 million (equivalent to approximately S\$2.1 million) to ITA Element, to support their business expansion in China.

FINANCIAL REVIEW

OTHER GAINS

Other gains for FY2020 comprised mainly of government grants of S\$3.5 million which includes property tax rebates, jobs support scheme and foreign worker levy rebate extended by Singapore government in view of the COVID-19 pandemic.

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 under 'Other Gains' or 'Other Losses'.

Other gains for FY2019 comprised mainly of foreign exchange adjustments gains of S\$51,000, fair value gains on derivative financial instruments of S\$12,000, compensation received of S\$28,000, insurance claim of S\$54,000, government grant of S\$39,000 and fair value gains on quoted securities of S\$0.1 million.

OTHER LOSSES

Other losses for FY2020 comprised mainly of foreign exchange adjustments loss of S\$0.4 million.

Other losses for FY2019 comprised mainly of loss on disposal of plant and equipment S\$43,000.

COST OF SALES

Cost of sales comprised of purchases and related costs net of changes in inventories of finished goods for the respective financial periods. Cost of sales decreased by S\$15.3 million or 25.7% from S\$59.4 million during FY2019 to S\$44.1 million during FY2020. The decrease in revenue led to a corresponding decrease in the cost of sales.

The gross profit margin improved from 43.5% in FY2019 to 45.6% in FY2020, was primarily due to higher sales contribution from the general segment which derived better margins from its products.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expenses decreased by S\$3.7 million or 18.8% from S\$19.9 million during FY2019 to S\$16.1 million during FY2020. The decrease was mainly due to revision to the accruals of bonus, lower staff commission and overtime and foreign worker levy waiver during Circuit Breaker period. As at 31 December 2020, the Group had 325 employees (including directors) (31 December 2019: 359).

AMORTISATION AND DEPRECIATION EXPENSE

Amortisation and depreciation expenses decreased by S\$0.5 million or 6.1% from S\$7.7 million during FY2019 to

S\$7.2 million during FY2020. The decrease is mainly due to the lease tenancy of a warehouse is expired in May 2020 and the related ROU assets is fully depreciated in May 2020. The tenancy is renewed for another one year which did not meet the criteria for capitalization as ROU assets due to short term lease, hence S\$0.4 million treated as short term lease under other expenses.

IMPAIRMENT LOSSES

Impairment losses increased by S\$2.9 million or 196.6% from S\$1.5 million during FY2019 to S\$4.4 million during FY2020. The increase mainly due to the increase in allowance for impairment of inventories.

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. Besides that, expected credit losses ("ECL") model is also being applied to determine the loss allowance for trade receivables based on historical observed default rates adjusted for forward-looking estimates in accordance with SFRS(I) 9.

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

FINANCE COSTS

Finance costs decreased by S\$1.2 million or 28.1% from S\$4.5 million during FY2019 to S\$3.3 million during FY2020. The decrease was due to lower interest rate during FY2020 as compared to FY2019 (certain banking facilities are pegged to benchmark interest rates in Singapore, such as SIBOR – which gradually reduced during FY2020).

OTHER EXPENSES

Other expenses decreased by S\$0.3 million or 4.1% from S\$8.2 million during FY2019 to S\$7.9 million during FY2020. The decrease in other expenses were mainly attributable to the decrease in revenue and temporary closure of business operations during two-month-long circuit breaker measures to curb the outbreak of COVID-19 pandemic. Other major expenses items include commission expense, property tax, expense relating to short-term leases, upkeep of motor vehicles and utilities.

SHARE OF RESULTS FROM EQUITY-ACCOUNTED ASSOCIATE AND JOINT VENTURE COMPANIES

This relates to the share of results from our Vietnam associate, Viet Ceramics International Joint Stock Company ("VCI") and from joint venture companies, Melmer Stoneworks Pte. Ltd. ("MSPL"), Guangdong ITA Element Building Materials Co., Limited ("ITA") and Hafary Myanmar Investment Pte. Ltd. ("HMI").

The share of profits from VCI amounted to S\$1.8 million (2019: S\$4.0 million). The decrease was due to outbreak of COVID-19 pandemic in Vietnam.

FINANCIAL REVIEW

The share of profits from MSPL was S\$129,000 (2019: Profits of S\$0.1 million). The share of loss from ITA amounted to S\$100,000 (2019: Profits of S\$43,000). The share of profits from HMI amounted to S\$39,000 (2019: Loss of S\$31,000).

PROFIT BEFORE TAX

Profit before income tax ("PBIT") decreased by S\$5.3 million or 45.9% from S\$11.6 million in FY2019 to S\$6.3 million in FY2020.

Excluding share of results from the associate and joint ventures companies amounting to S\$1.8 million (FY2019:

S\$4.1 million), PBIT generated from recurring activities was S\$4.5 million (FY2019: S\$7.5 million).

The lower PBIT generated from recurring activities for FY2020 was largely due to the decrease in revenue. The drop in gross profit, increase in impairment loss on inventories, fair value loss on other financial assets and foreign exchange adjustments loss were partially cushioned by lower finance costs and government grants meant to mitigate the impact of the COVID-19 pandemic.

Statement of Financial Position	2020 S\$'000	2019 S\$'000	Change S\$'000	Change %
Non-Current Assets:				
Property, Plant and Equipment	72,501	76,631	(4,130)	(5.4)
Right-of-Use Assets	37,863	40,244	(2,381)	(5.9)
Investments in an Associate	15,753	15,620	133	0.9
Investments in Joint Ventures	2,655	2,503	152	6.1
Investment Property	4,191	4,210	(19)	(0.5)
Other Financial Assets, Non-Current	412	522	(110)	(21.1)
Other Receivables, Non-Current	-	137	(137)	N.M.
Total Non-Current Assets	133,375	139,867	(6,492)	(4.6)
Current Assets:				
Inventories	50,938	54,178	(3,240)	(6.0)
Trade and Other Receivables, Current	29,960	31,905	(1,945)	(6.1)
Derivative Financial Assets	9	-	9	N.M.
Other Non-Financial Assets	5,372	5,470	(98)	(1.8)
Cash and Cash Equivalents	5,211	7,559	(2,348)	(31.1)
Total Current Assets	91,490	99,112	(7,622)	(7.7)
Total Assets	224,865	238,979	(14,114)	(5.9)
Equity:				
Equity, Attributable to Owners of the Parent	71,309	68,963	2,346	3.4
Non-Controlling Interests	2,159	2,024	135	6.7
Total Equity	73,468	70,987	2,481	3.5
Non-Current Liabilities:				
Deferred Tax Liabilities	664	476	188	39.5
Other Financial Liabilities, Non-Current	82,256	77,673	4,583	5.9
Lease Liabilities, Non-Current	9,355	10,319	(964)	(9.3)
Total Non-Current Liabilities	92,275	88,468	3,807	4.3
Current Liabilities:				
Provision	725	636	89	14.0
Income Tax Payable	1,285	1,863	(578)	(31.0)
Trade and Other Payables	16,275	17,141	(866)	(5.1)
Derivative Financial Liabilities	-	23	(23)	N.M.
Other Financial Liabilities, Current	34,597	55,311	(20,714)	(37.5)
Lease Liabilities, Current	881	1,361	(480)	(35.3)
Other Non-Financial Liabilities	5,359	3,189	2,170	68.0
Total Current Liabilities	59,122	79,524	(20,402)	(25.7)
Total Liabilities	151,397	167,992	(16,595)	(9.9)
Total Equity and Liabilities	224,865	238,979	(14,114)	(5.9)

FINANCIAL REVIEW

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 decreased by S\$0.9 million or 53.8% from S\$1.6 million during FY2019 to S\$0.7 million during FY2020, due to lower taxable profit during the year.

STATEMENT OF FINANCIAL POSITION NON-CURRENT ASSETS

Non-current assets decreased by S\$6.5 million or 4.6% from S\$139.9 million as at 31 December 2019 to S\$133.4 million as at 31 December 2020.

Property, plant and equipment decreased by S\$4.1 million or 5.4% from S\$76.6 million as at 31 December 2019 to S\$72.5 million as at 31 December 2020. The decrease was mainly due to the Group received an amount of S\$1.8 million from the Singapore Land Authority for the overpayment of land premium in relation to 18 Sungei Kadut Street 2 in prior years and depreciation expense amounting to S\$4.7 million, which the decrease was partially offset by the addition of plant and equipment amounting to S\$2.3 million and foreign exchange adjustments of S\$0.1 million during the year.

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. The decrease was due to depreciation of S\$2.5 million and partially offset by the foreign exchange adjustments of S\$0.1 million during the year.

The increase in investment in associate amounting to S\$0.1 million pertained to shares of profits amounting to S\$1.8 million from VCI and partially offset by dividend of S\$1.4 million paid and exchange differences on translating associate with foreign operation amounting to S\$0.3 million.

The increase in investment in joint ventures amounting to S\$0.2 million pertained to shares of profit from joint ventures amounting to S\$0.1 million and exchange differences on translating joint ventures with foreign operation amounting to S\$0.1 million.

Other financial assets pertain to the Group's investment in shares of Healthbank Holdings Limited (Listed on SGX Catalyst). The decrease of S\$0.1 million from S\$0.5 million as at 31 December 2019 to S\$0.4 million as at 31 December 2020 was due to fair value loss on other financial assets.

CURRENT ASSETS

Current assets decreased by S\$7.6 million or 7.7% from S\$99.1 million as at 31 December 2019 to S\$91.5 million as at 31 December 2020.

The decrease was mainly due to decrease in trade and other receivables, cash and cash equivalent, other non-financial assets and inventories amounting to S\$7.6 million.

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

Inventory turnover day as at 31 December 2020 is 354 days compared to 333 days as at 31 December 2019. Higher inventory turnover days as compared to 31 December 2019 mainly due to lower revenue as a result from the closure of showrooms for 2 months and delays in private and public projects during this Circuit Breaker period.

Trade receivables turnover day as at 31 December 2020 is 90 days compared to 91 days as at 31 December 2019.

NON-CURRENT LIABILITIES

Non-current liabilities increased by S\$3.8 million or 4.3% from S\$88.5 million as at 31 December 2019 to S\$92.3 million as at 31 December 2020. The increase was mainly due to drawdown of temporary bridging loan scheme and temporary deferment of loan repayment instalment until the end of 2020. The credit relief measures is announced at Solidarity Budget 2020. This was partially offset by decrease in lease liabilities, non-current.

CURRENT LIABILITIES

Current liabilities decreased by S\$20.4 million or 25.7% from S\$79.5 million as at 31 December 2019 to S\$59.1 million as at 31 December 2020.

The decrease was mainly attributable to the decrease in trade and other payables of S\$0.9 million, other financial liabilities of S\$20.7 million, lease liabilities of S\$0.5 million and income tax payable of S\$0.6 million. The decrease was partially offset by the increase in provision of S\$0.1 million and other non-financial liabilities of S\$2.2 million.

Total amount of trade payables and trust receipts and bills payable to banks was S\$16.3 million (31 December 2019: S\$21.1 million). The turnover of the aforesaid items (based on cost of sales) is 134 days as at 31 December 2020 compared to 130 days as at 31 December 2019.

The decrease in other financial liabilities was mainly due to decrease in trust receipts and bill payables by S\$5.5 million and repayment of bank loans by S\$20.2 million. This was partially offset by the short term loan drawdown amounting to S\$5.0 million.

The increase in other non-financial liabilities was mainly due to increase in advance payment received from customers.

FINANCIAL REVIEW

Leasehold properties held by the Group	105 Eunos Avenue 3 Hafary Centre Singapore 409836	3 Changi North Street 1 Singapore 498824	54/56 Sungei Kadut Loop Singapore 729477	18C Sungei Kadut Street 4 Singapore 729066	18 Sungei Kadut Street 2 World Furnishing Hub Singapore 729236	North Fang Xun Road, Hecheng Street (Fuan), Gaoming District, Foshan, Guangzhou, China	532 Balestier Road Singapore 329859
Description	6-storey light industrial building	2-storey warehouse	1-storey warehouse	Warehousing/ Production premises/ 2-storey ancillary building	7-storey industrial building	Warehouse and 5-storey dormitory	2-storey corner prewar shophouse
Purpose	Headquarters and main showroom	Main warehouse	Warehouse	Marble processing facility	Commercial and warehousing	Warehouse	Commercial
Tenure of land	Expiring 14 September 2039	Expiring 28 February 2059	Expiring 15 January 2025	Expiring 15 September 2025	Expiring 3 September 2043	Expiring 30 December 2050	Freehold
Area ('000 square feet) - Land - Gross floor or net lettable area	54 130	113 151	105 69	56 46	107 296	441 287	2 3
Purchase price (S\$'000)	9,800	10,000	2,502	1,430	8,650	10,000	4,050
Development and directly attributable costs (S\$'000)	11,752	13,787	-	2,938	51,634	100	-
Carrying amount as at 31 December 2020 (S\$'000)	15,376	19,736	593	1,725	48,864	7,920	4,191

SUSTAINABILITY REPORT

BOARD STATEMENT

Board Statement

We are pleased to present Hafary Holdings Limited's ("Hafary" or the "Company", and together with its subsidiaries, the "Group") annual Sustainability Report for our financial year ended 31 December 2020 ("FY2020").

The key material economic, environmental, social and governance ("EESG") factors for Hafary have been identified by the management. The board of directors of Hafary ("Board") oversees the management and monitoring of these factors and takes them into consideration in the determination of the Company's strategic direction and policies. Sustainability is a part of Hafary's wider strategy to create long-term value for all our stakeholders.

With the availability of economic, environment, social and governance data, sustainability reporting has gained greater significance to investors. Far from being just an image building exercise, today it is widely accepted that good EESG practices contribute to the overall long-term success of the Company and play an important part in the competition for talent and investment.

Businesses must be quick to adapt to key stakeholders' concerns, closing any potential gaps and capitalising on opportunities amid today's rapidly changing business environment.

In defining our reporting content, we applied the Global Reporting Initiative ("GRI")'s principles by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. We observed a total of four principles, namely materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

Hafary faced a challenging business environment in FY2020 as the COVID-19 pandemic has caused a disruption to the global economic condition. The COVID-19 also has a profound impact on how businesses manage issues of sustainability as the pandemic has placed EESG issues at the forefront for many governments and businesses globally. This pandemic represents both opportunities and risks to the business. Adaptation is required to successfully navigate through challenging

times. For Hafary, the pandemic has affected the way in which we operate on a day-to-day basis. From the adoption of changes to working arrangements, efforts have been undertaken to ensure that the needs of all our stakeholders are addressed during the pandemic.

During the COVID-19 pandemic, we stay committed to prioritise the safety of our employees and customers. We have implemented the safety protocols and educated our employees on the necessary measures to ensure that they were well-prepared in keeping themselves and our customers safe.

This year, our review of the material EESG matters identified in the materiality assessment shows that they remain significant and relevant to our business.

We have relied on our internal source of information and verification mechanisms to ensure the accuracy of this Report and no external assurance was obtained. However, we may consider seeking external assurance of our Sustainability Report in the future.

Reporting Period and Scope

This report is set out on a "comply or explain" basis in accordance with Listing Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Ltd. ("SGX-ST") Listing Manual on Continuing Listing Obligations. Corresponding to GRI's emphasis on materiality, this report highlights the key EESG related initiatives carried out throughout the 12-month period, from 1 January to 31 December 2020.

Reporting Framework

Hafary has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this report has been prepared in reference to the GRI Standards reporting guidelines, at Core level.

Feedback

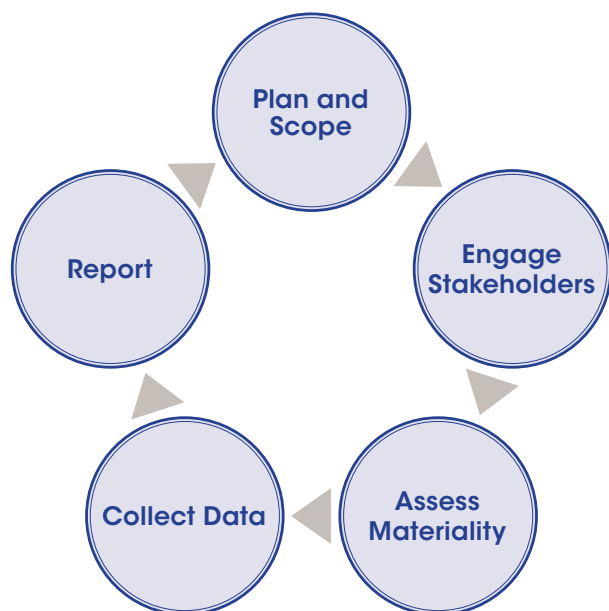
We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to sustainability@hafary.com.sg.

26 March 2021

SUSTAINABILITY REPORT

APPROACH TO SUSTAINABILITY

Sustainability Reporting Process



Sustainability Committee

The Group has in place a Sustainability Steering Committee which is led by the CEO and supported by the department heads from various functional divisions in the Group.

Stakeholder Engagement

As the Group continues to expand its operations, we are committed to review the relevance and significance of key stakeholders on an annual basis. The below remained as our key stakeholders as they are those who would be impacted by the Group's business and operations and/or who have a material impact on the success of the Group's business and operations.

Our policies, key stakeholders concerns and engagement channel to stakeholder are explained below:

Stakeholders	Hafary's policies	Key concerns	Engagement channel
Customers	Maximise customers' satisfaction by keeping our product offerings up-to-date and providing a pleasant shopping experience.	<ul style="list-style-type: none"> Quality products and services Project Management, including timeline and execution Availability of feedback platforms <p><u>COVID-19 specific concerns:</u></p> <ul style="list-style-type: none"> Provision of services with satisfactory standards and meeting customers' expectations without compromise despite challenges posed by COVID-19 Safety measures at our premises 	<ul style="list-style-type: none"> Customer showroom visits Hafary's owned websites Hafary's social media platforms e.g. Facebook Feedback handling through email / phone calls Timely updates on COVID-19 made available at our premises
Employees	Develop our employees to their fullest potential through training and development. Provide them with a safe working environment and fair remuneration packages and benefits.	<ul style="list-style-type: none"> Benefits and remuneration Talent retention and career progression Training and development Employee safety and well-being Anti-corruption and bribery <p><u>COVID-19 specific concerns:</u></p> <ul style="list-style-type: none"> Job security Workplace flexibility Workplace safety 	<ul style="list-style-type: none"> On-boarding and orientation Mobile chat groups Annual Performance appraisals Internal and external trainings Providing timely updates on COVID-19 Having flexible working arrangement Recognise and reward contributions of employees

SUSTAINABILITY REPORT

Stakeholders	Hafary's policies	Key concerns	Engagement channel
Local communities	Support to charitable causes through our CSR initiatives.	<ul style="list-style-type: none"> Charitable contribution Volunteering activities 	<ul style="list-style-type: none"> Corporate Social Responsibility (CSR) programme Community service events
Shareholders & Investors	Maximise the value of shareholders through strengthening our financial fundamentals.	<ul style="list-style-type: none"> Group business strategy and developments Financial performance Risk management Operational efficiency Regulatory compliance Corporate governance Sustainability efforts <p><u>COVID-19 specific concerns:</u></p> <ul style="list-style-type: none"> Business resilience to the shock posed by COVID-19 	<ul style="list-style-type: none"> Announcements via SGXNet Annual report Company website Annual General Meeting
Suppliers	Cultivate and maintain cordial relationships with our suppliers through adherence to trading norms.	<ul style="list-style-type: none"> Fair payment terms Timely payment as per contractual terms <p><u>COVID-19 specific concerns:</u></p> <ul style="list-style-type: none"> Management of supply chain disruptions arising from challenges posed by COVID-19 	<ul style="list-style-type: none"> Supplier on-site meetings, feedback and correspondents, via fax, phone call and email.
Regulators & Government	Legal compliance and ethical practices are the core foundation of our businesses. Such culture is established and maintained through high standards of corporate governance and transparent reporting.	<ul style="list-style-type: none"> Sustainability reporting Compliance with laws and regulations as mandated by the relevant authorities Good corporate governance & ethics, transparency and non-financial reporting Anti-corruption and bribery <p><u>COVID-19 specific concerns:</u></p> <ul style="list-style-type: none"> Adherence to the workplace safe distancing guidelines issued by the relevant authorities 	<ul style="list-style-type: none"> Sustainability reporting Ensure regulatory compliance across our businesses Direct engage with authorities Announcements via SGXNet Annual report Compliance of the Safety Measure and implementation of safe distancing practices at the workplace

SUSTAINABILITY REPORT

Materiality Assessment

Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised to identify material factors which are subject to validation. The end result of this process is a list of material factors disclosed in the Sustainability Report.



The Group has conducted a materiality assessment internally during the year. We engaged our employees from different departments, seeking our internal

stakeholders' feedback for prioritisation of these topics. Going forward, materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements.

In order to determine if an aspect is material, we assessed the significance of economy, environment and society impacts and influence on the stakeholder assessments and decisions. The material factors represent not just risks, but also opportunities to the Group. Each of the well-managed factor could underpinned our stakeholders' confidence and thereby gaining their non-financial support to the Group in the long-term. Applying the guidance from GRI, we have identified the following as our material aspects.

Having identified the materiality factors and our key stakeholders, we have mapped out our sustainability priorities, impact to stakeholders and current year performance in the table below.

Material Factors	Impact To Stakeholders	GRI Disclosures	Read More In
Economic	All our internal and external stakeholders look to Hafary to deliver on financial performance, as well as our value-added contribution to the societies and communities we operate.	<ul style="list-style-type: none"> Economic Performance (201-1) Anti-corruption (205-1, 205-3) 	Sustainability Report, Page 27
Environmental	We aim to minimise the negative impact of our business on the environment by in compliance to the applicable environmental laws and regulations.	<ul style="list-style-type: none"> Environmental Compliance (307-1) 	Sustainability Report, Page 28
Social	<p>Employees Our people are one of our most valuable assets. Maintaining a safe and healthy workplace for our employees and contractors is critical to Group's continual operation and success.</p> <p>Customers To ensure the quality of our product delivered to our customers. Applies across to the business operations in Singapore and overseas.</p> <p>Suppliers To offer fair payment term and prompt payment as per contracts to our suppliers.</p> <p>Local communities The Group is dedicating to being a model corporate citizen who positively contributes and impacts the community.</p>	<ul style="list-style-type: none"> Employment (401-1 & 401-2) Diversity and Equal Opportunity (405-1) Occupational Health and Safety (403-1, 403-2, 403-5 & 403-10) Local Communities (413-1) Socioeconomic Compliance (419-1) 	Sustainability Report, Pages 28 to 32

SUSTAINABILITY REPORT

Material Factors	Impact To Stakeholders	GRI Disclosures	Read More In
Governance	Hafary believes strong corporate governance is critical to the success of the Group and forms the foundation for the trust that our shareholders and stakeholders have placed on us to protect their interests. Other than the basis for regulatory compliance, we also believe strong corporate governance translates to more robust risk management systems and lead to better business performance.	<p>The GRI is not available for below disclosures:</p> <ul style="list-style-type: none"> • Corporate Governance • Enterprise Risk Management • Business Ethics • Code of Conduct and Ethics 	Sustainability Report, Page 32 to 34

ECONOMIC

Economic Performance (GRI 201-1)

Hafary is committed to grow our customers and exceed our customers' expectations and providing them with competitive edge products by enhancing operational efficiency by incorporating effective use of technology, develop performance measures, communicate outcomes and results and implement necessary changes to provide fast and high-quality services at low transactional costs.

The COVID-19 pandemic has affected the global economy and further exacerbated the challenging environment that Hafary operates in. During the COVID-19 outbreak, our office, showrooms and warehouses were closed from 7 April 2020 to 18 June 2020 in compliance with the measures enforced by the Singapore Government to prevent the spread of COVID-19. Hafary had to cease its retail operations during the Circuit Breaker period. The project segment of the Group also ceased operations during the same period as many of the property developers and main contractors had to temporarily suspend their operations.

For detailed financial results, please refer to the following sections in our Annual Report 2020:

- Financial Highlights, pages 16 to 17
- Financial Review, pages 18 to 22
- Financial Statements, pages 69 to 129

We do not set a target for economic performance, this is to prevent giving any false impression of the Group to our stakeholders. However, we will remain cautious with regards to market conditions and will continue to be vigilant in managing costs and improving operational efficiencies.

Anti-corruption (GRI 205-1, 205-3)

Hafary does not tolerate corruption in any form. The Company has in place a whistleblowing policy which has been communicated to all employees. The Company's employees and external parties such as the Company's business associates may, in confidence, raise any concerns about possible improprieties in matters of financial reporting or other matters to the Management and/or the AC by submitting a whistleblowing report. It is available on the Company's website (http://www.hafary.com.sg/investor_relations/policies). All concerns about possible improprieties can be communicated directly to the Company's Audit Committee via whistleblower@hafary.com.sg.

There were no public cases and no incidents of corruption during the reporting period. Our goal is to maintain zero incident of corruption. We will regularly review policies on whistleblowing and anti-corruption.

	FY2020	FY2019	FY2018
No. of incident of corruption	0	0	0

Target in FY2020	Performance in FY2020
Maintain zero incident of corruption	Target achieved

Target in FY2021
Maintain zero incident of corruption

SUSTAINABILITY REPORT

ENVIRONMENTAL

Environmental Compliance (GRI 307-1)

The main business of Hafary Group is supply of imported building materials, including tiles, stones, mosaics, woods, sanitary wares and so on. Hafary does not have major manufacturing operations within the Group, hence the direct environmental impact is limited.

In FY2020, there were no incidence of non-compliance with environmental and related laws and regulations resulting in significant fines or non-monetary sanctions. We target to maintain this track record in the upcoming years.

	FY2020	FY2019	FY2018
No. of incident of non-compliance with environment and related laws and regulations resulting in significant fines or non-monetary sanctions	0	0	0

Target in FY2020	Performance in FY2020
Maintain zero incident of non-compliance	Target achieved

Target in FY2021
Maintain zero incident of non-compliance

SOCIAL

Employment, Diversity and Equal Opportunity (GRI 401-1, 401-2 & 405-1)

In building an engaged workforce, Hafary Group is committed to diversifying our workplace and providing equal opportunities to every employee regardless of background.

As a people-centric company, we are concerned with the wellbeing of our employees and implemented a number of staff welfare initiatives, such as annual dinner and festive meals. All our full-time employees are entitled a range of employee benefits which comprise of medical and dental benefits and covered by various forms of insurance, such as group medical insurance, workmen injury compensation insurance and travel insurance (for overseas business trips). To foster an overall pro-family

environment, the Group provides our employees with marriage leave, maternity and paternity leaves and an additional day of childcare leave for all our full-time foreign employees.

During the Circuit Breaker period, all our workers housed in our dormitory were paid their basic salaries and we provided them with three meals daily.

As of 31 December 2020, our workforce is composed of 325 (FY2019: 359, FY2018: 348) employees. Our monthly average turnover rate is 1.5%.

Based on the data maintained with the Group's Human Resources Department, though most of our employees fall under the category of "less than 5 years of service", more than 30% of employees have been with us for more than 5 years, which illustrates a moderate turnover rate. Our average monthly turnover rate was 1.5% in FY2020 while it was 2.1% and 1.1% in FY2019 and FY2018, respectively. We continuously strive to further improve talent retention through fair remuneration and opportunities for employees to improve themselves.

Employee diversity

Gender (by headcount)	FY2020	FY2019	FY2018
Male	191	222	210
Female	134	137	138
Total	325	359	348

Gender (by %)	FY2020	FY2019	FY2018
Male	59%	62%	60%
Female	41%	38%	40%
Total	100%	100%	100%

Age (by headcount)	FY2020	FY2019	FY2018
Over 50 years	27	25	23
30 to 50 years	231	241	216
Under 30 years	67	93	109
Total	325	359	348

Age (by %)	FY2020	FY2019	FY2018
Over 50 years	8%	7%	7%
30 to 50 years	71%	67%	62%
Under 30 years	21%	26%	31%
Total	100%	100%	100%

SUSTAINABILITY REPORT

Employee diversity (cont'd)

Nationality (by headcount)	FY2020	FY2019	FY2018
Singaporean & SPR	129	122	124
Malaysian	73	89	88
Indian	65	81	72
Chinese	44	53	52
Others	14	14	12
Total	325	359	348

Nationality (by %)	FY2020	FY2019	FY2018
Singaporean & SPR	40%	34%	36%
Malaysian	22%	25%	25%
Indian	20%	22%	21%
Chinese	14%	15%	15%
Others	4%	4%	3%
Total	100%	100%	100%

Length of service (by headcount)	FY2020	FY2019	FY2018
More than 10 years	65	54	37
5 to 10 years	106	95	91
Less than 5 years	154	210	220
Total	325	359	348

Length of service (by %)	FY2020	FY2019	FY2018
More than 10 years	20%	15%	11%
5 to 10 years	33%	27%	26%
Less than 5 years	47%	58%	63%
Total	100%	100%	100%

New employee hires

Gender (by headcount)	FY2020	FY2019	FY2018
Male	15	54	39
Female	13	11	17
Total	28	65	56

Gender (by %)	FY2020	FY2019	FY2018
Male	54%	83%	70%
Female	46%	17%	30%
Total	100%	100%	100%

Age (by headcount)	FY2020	FY2019	FY2018
Over 50 years	9	29	29
30 to 50 years	19	35	26
Under 30 years	0	1	1
Total	28	65	56

Age (by %)	FY2020	FY2019	FY2018
Over 50 years	32%	45%	52%
30 to 50 years	68%	54%	46%
Under 30 years	0%	1%	2%
Total	100%	100%	100%

Nationality (by headcount)	FY2020	FY2019	FY2018
Singaporean & SPR	8	3	8
Malaysian	6	16	16
Indian	11	29	18
Chinese	2	15	13
Others	1	2	1
Total	28	65	56

Nationality (by %)	FY2020	FY2019	FY2018
Singaporean & SPR	29%	5%	9%
Malaysian	21%	25%	36%
Indian	39%	44%	32%
Chinese	7%	23%	21%
Others	4%	3%	2%
Total	100%	100%	100%

SUSTAINABILITY REPORT

Employee turnover

Gender (by headcount)	FY2020	FY2019	FY2018
Male	44	70	37
Female	16	18	11
Total	60	88	48

Gender (by %)	FY2020	FY2019	FY2018
Male	73%	80%	77%
Female	27%	20%	23%
Total	100%	100%	100%

Age (by headcount)	FY2020	FY2019	FY2018
Over 50 years	17	31	21
30 to 50 years	40	57	27
Under 30 years	3	0	0
Total	60	88	48

Age (by %)	FY2020	FY2019	FY2018
Over 50 years	28%	35%	44%
30 to 50 years	67%	65%	56%
Under 30 years	5%	0%	0%
Total	100%	100%	100%

Nationality (by headcount)	FY2020	FY2019	FY2018
Singaporean & SPR	8	12	4
Malaysian	13	17	10
Indian	27	27	16
Chinese	11	30	18
Others	1	2	0
Total	60	88	48

Nationality (by %)	FY2020	FY2019	FY2018
Singaporean & SPR	13%	14%	8%
Malaysian	22%	19%	21%
Indian	45%	31%	33%
Chinese	18%	34%	38%
Others	2%	2%	0%
Total	100%	100%	100%

Talent retention

	FY2020	FY2019	FY2018
Average monthly turnover rate	1.5%	2.1%	1.1%

Target in FY2020	Performance in FY2020
Maintain the average monthly turnover rate below 3%	Target achieved

Target in FY2021
Maintain the average monthly turnover rate below 3%

Occupational Health and Safety (GRI 403-2 & 403-5)

Hafary upholds high standards of a safe and conducive workplace for our customers and employees alike. The appropriate safety measures and standard operating procedures put in place to all parties are clear what to do in case of emergency, and management teams are well-equipped to respond to such situation.

In order to upskill our employees in the area of workplace health and safety, our employees are trained on the fire safety hazard processes at the office, showroom and warehouse. We hold regular fire drills and evacuation exercises in accordance with ISO14001:2004 standards. Our HR department tracks and report industrial accidents and injuries, and if required, claims will be filed accordingly. All our department heads, supervisors and employees are briefed to directly inform HR department on all accidents and injuries at the workplace.

In addition, our employees attended the WSQ Respond to Fire Incident in Workplace course to improve the knowledge and be equipped with the application skills and knowledge required to effectively respond to fire incidents.

Renewals of required certificates and permits or inspection for the fire safety and lifts at our premises, are regularly reported and monitored.

SUSTAINABILITY REPORT

Certification

The Group achieved the following certifications which are valid during the reporting period. These well recognised standards provide us with the frameworks to manage risks associated with health and safety in our workplace.

- ISO 9001:2015
- ISO 45001:2018, an internationally applied British Standard for occupational health and safety management systems
- BizSAFE Star Certification, certified by Workplace Safety and Health Council Singapore

Similar to past 2 years, there were no fatal accidents and no occupational diseases reported during the reporting period. We will continue to stress workplace safety at all times and maintain this record in the upcoming years.

	FY2020	FY2019	FY2018
No. of fatal accidents and occupational diseases	0	0	0

Target in FY2020	Performance in FY2020
Maintain zero fatal accidents and occupational diseases	Target achieved

Target in FY2021
Maintain zero fatal accidents and occupational diseases

Addressing the threat from COVID-19 (GRI 403-1, 403-10)

Our employees are our valued assets and are key resources to the long-term viability of our business. We greatly value the diversity in our workforce and ensure that our employees' well-being is well taken care of.

In response to the threat from COVID-19, Hafary stays committed to prioritise the safety of our employees and also our customers. Hafary has implemented various precautionary measures with reference to the guidelines issued by the Ministry of Health and other relevant authorities to address the safety and well-being of our employees and customers at our premises.

We established the safety measures and emergency response protocols that communicated among our employees to ensure our business operations are conducted in a safe manner and keeping our employees and customers safe. The safety measures included the following:

- Temperature of all our employees at our premises were taken twice each day and they are advised to consult the doctors if they are feeling unwell
- Implemented SafeEntry digital check-in system in the workplace and showrooms to collect entry data of employees and customers for contact tracing purposes
- All visitors are required to record their temperature and contact details before entering our premises, to ease the contact tracing process
- Ensure one-meter safe distancing among our employees and customers in the workplace and showrooms
- Encourage virtual meetings and minimise the physical meetings at our premises
- Promote staggered working hours and break time
- Timely update on general information on prevention spread of COVID-19 virus and latest group policies on workplace safety measures
- Face masks and hand sanitisers were made available for all our employees, they were reminded to wear face masks at all times and to apply hand sanitisers regularly
- Disinfection of common touchpoints within our premises daily

With the safety measures in placed at our premises, Hafary reported zero COVID-19 cases during the FY2020.

Local Communities (GRI 413-1)

The Group believes in giving back to society. The Group has an existing local community development programme, based on local communities' needs, to minimize, mitigate, or compensate for adverse social impacts as well as to enhance positive impacts on the community. During the reporting period, financial assistance and support were rendered to the charities and organisations in the causes of:

- Arts
- Children & Youth
- Community
- Disability
- Elderly
- Entrepreneurship
- Enrichment
- Environment
- Sports

	FY2020	FY2019	FY2018
No. of causes supported	9	12	11

We do not set a target for community contribution. This is to prevent giving any false impression of the Group to our stakeholders. However, we have always been committed to participate in charity events and worthy causes year on year.

The current year's plan was unexpectedly disrupted by the outbreak of COVID-19. Going forward, we will continue to support the local communities in the upcoming years.

SUSTAINABILITY REPORT

Socioeconomic Compliance (GRI 419-1)

We are committed to conducting our business activities in a lawful manner. All of our employees are reminded to ensure compliance with applicable economic, labour and social laws and regulations. The Group regularly review and monitor our policies and practices with regard to regulatory requirements.

Similar to the past, there were no material non-compliance with applicable laws and regulations in the social and economic area reported in FY2020.

Our target is to ensure all significant allegation received are promptly addressed and to maintain zero incidents of material non-compliance in the upcoming years.

	FY2020	FY2019	FY2018
No. of significant allegation received	0	0	0
No. of significant allegation received that are promptly addressed	0	0	0
No. of material incident of non-compliance with applicable laws and regulations in the social and economic area	0	0	0

Target in FY2020	Performance in FY2020
Ensure all significant allegation received are promptly addressed, if any	Target achieved
Maintain zero incident of material non-compliance	Target achieved

Target in FY2021
Ensure all significant allegation received are promptly addressed, if any
Maintain zero incident of material non-compliance

GOVERNANCE

Corporate Governance

The Board and the Management of Hafary are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our shareholders. Please refer to the Annual Report 2020 pages 38 to 59 for details of the Group's Corporate Governance Statement.

Similar to the past, there were no known incidents of material non-compliance with Code of Corporate Governance within Hafary.

Going forward, we will continue to comply with the Code of Corporate Governance and meet all requirements that are expected of us by our stakeholders.

	FY2020	FY2019	FY2018
No. of incident of material non-compliance with Code of Corporate Governance	0	0	0

Target in FY2020	Performance in FY2020
Maintain zero incident of material non-compliance	Target achieved

Target in FY2021
Maintain zero incident of material non-compliance

Enterprise Risk Management

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems. The Audit Committee assists the Board in providing oversight of risk management in the Company.

The Company has in placed an Enterprise Risk Management Framework. The implementation and maintenance of the Company's risk management

SUSTAINABILITY REPORT

framework is undertaken by the senior management team, which reports to the Audit Committee on strategic business risks as well as providing updates on the risk management activities of the Company's businesses and the Enterprise Risk Management implementation progress in the Company. Significant strategic risks identified are assessed, managed and monitored adequately within the Company's risk management framework. These strategic risks are also reviewed and refreshed to ensure relevant emerging risks are being considered and included for proper assessment, monitoring and reporting as appropriate.

The Group continually reviews and improves its business and operational activities to identify areas of significant business risk as well as taking appropriate measures to control and mitigate these risks. These include the implementation of safety, security and internal control measures and taking up appropriate insurance coverage. The Group's financial risk management programme seeks to minimise potential adverse effects of the unpredictability of financial markets on the Group's financial performance.

The outbreak of COVID-19 has weakened the global economic condition. The Group remains committed to weathering the challenging business environment as market risks remain elevated. The Group has adopted measures with reference to guidelines issue by the Ministry of Health and other government agencies, to protect our employees and customers against the virus and will also closely monitor its supply chain activities.

We will review the ERM policies annually to ensure all relevant risks are identified, communicated and addressed timely.

	FY2020	FY2019	FY2018
No. of reviewing the ERM policies annually	2	2	2

Target in FY2020	Performance in FY2020
Review the ERM policies at least twice a year	Target achieved

Target in FY2021
Review the ERM policies at least twice a year

Business Ethics

All of our employees are reminded of the importance of upholding the highest standards when it comes to business ethics. The Group regularly updates relevant employees with development in international and local regulations. Similar to FY2019, there were no significant fines or non-monetary sanctions for material non-compliance with applicable laws and regulations reported in FY2020.

Our target is to ensure all significant allegation received are promptly addressed and to maintain zero incidents of material non-compliance.

	FY2020	FY2019	FY2018
No. of significant allegation received	0	0	0
No. of significant allegation received that are promptly addressed	0	0	0
No. of incident of material non-compliance with applicable laws and regulations related to business ethics	0	0	0

Target in FY2020	Performance in FY2020
Ensure all significant allegation received are promptly addressed, if any	Target achieved
Maintain zero incident of material non-compliance	Target achieved

Target in FY2021
Ensure all significant allegation received are promptly addressed, if any
Maintain zero incident of material non-compliance

SUSTAINABILITY REPORT

Code of Conduct and Ethics

The Company's Code of Conduct for Employees ("the Code"), approved by the Board, establishes the fundamental principles of ethical and professional conduct expected of all employees of the Group in the performance of their duties.

The directors, management and other employees of the Group whose job responsibilities may give rise to conflict of interest are required to complete and submit an annual conflict of interest declaration to the Group's Human Resources Department.

Similar to the past, there were no known incidents of material non-compliance with our Code of Business Ethics and Conduct and non-discrimination in Hafary. We will ensure to maintain this record.

	FY2020	FY2019	FY2018
No. of incident of material non-compliance with our Code of Business Ethics and Conduct and non-discrimination	0	0	0

Target in FY2020	Performance in FY2020
Maintain zero incident of material non-compliance	Target achieved

Target in FY2021
Maintain zero incident of material non-compliance

GRI STANDARDS CONTENT INDEX

Disclosure no.	Disclosure	Annual report section and page no.	Remarks
General Disclosures (GRI 102: General Disclosures 2016)			
1. Organisational Profile			
102-1	Name of the organisation	Cover page	-
102-2	Activities, brands, products, and services	Corporate profile Pg. 1 Our products Pg. 2 to 7	The Group does not sell products or services that are the subject of stakeholder questions or public debate.
102-3	Location of headquarters	Corporate profile Pg. 1 Corporate information Pg. 37	-
102-4	Location of operations	Group structure Pg. 15 Note 3A of Financial statements Pg. 85	-
102-5	Ownership and legal form	Statistics of shareholdings Pg. 130 to 131 Group structure Pg. 15 Corporate information Pg. 37	-
102-6	Markets served	Corporate profile Pg. 1 Group structure Pg. 15 Note 4E of Financial statements Pg. 91	-
102-7	Scale of the organisation	Corporate profile Pg. 1 Sustainability report Pg. 28 to 30	-
102-8	Information on employees and other workers	Sustainability report Pg. 28 to 30	-
102-9	Supply chain	Corporate profile Pg. 1	-
102-10	Significant changes to the organisation and its supply chain	-	There is no significant change to the supply chain that can cause or contribute to significant economic, environmental and social impacts.

SUSTAINABILITY REPORT

Disclosure no.	Disclosure	Annual report section and page no.	Remarks
102-11	Precautionary Principle or approach	-	Please refer to 'Corporate Governance Statement' for the Company's approach to risk management. The Company's activities do not pose threats of serious or irreversible damage to the environment. The precautionary approach under Principal 15 of 'The Rio Declaration on Environment and Development' is not adopted.
102-12	External initiatives	Sustainability report Pg. 31	-
102-13	Membership of associations	-	<ul style="list-style-type: none"> • Building and Construction Authority • Singapore Business Federation
2. Strategy			
102-14	Statement from senior decision-maker	CEO's statement Pg. 8 to 9 Sustainability report Pg. 23	-
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	Sustainability report Pg. 23 to 34	-
4. Governance			
102-18	Governance structure	Corporate governance statement Pg. 38 to 59 Sustainability report Pg. 32	-
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Sustainability report Pg. 24 to 25	-
102-41	Collective bargaining agreements	-	No employee of the Group is covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Sustainability report Pg. 24 to 25	-
102-43	Approach to stakeholder engagement	Sustainability report Pg. 24 to 25	-
102-44	Key topics and concerns raised	Sustainability report Pg. 24 to 25	-
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial statements Pg. 69 to 129 Group structure Pg. 15	-
102-46	Define report content and topic Boundaries	Sustainability report Pg. 23	-
102-47	List of material topics	Sustainability report Pg. 26 to 27, 36	-
102-48	Restatements of information	-	No change in the preparation of sustainability report compare to previous financial year.
102-49	Changes in reporting	-	No change in the preparation of sustainability report compare to previous financial year.
102-50	Reporting period	Sustainability report Pg. 23	-
102-51	Date of most recent report	-	31 March 2020
102-52	Reporting cycle	Sustainability report Pg. 23	-
102-53	Contact point for questions regarding the report	Sustainability report Pg. 23	-
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability report Pg. 23	-

SUSTAINABILITY REPORT

Disclosure no.	Disclosure	Annual report section and page no.	Remarks
102-55	GRI content index	Sustainability report Pg. 34 to 36	-
102-56	External assurance	Sustainability report Pg. 23	This report is not externally assured. However, we may consider seeking external assurance of our sustainability report in the future.
7. Material Topics			
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Sustainability report Pg. 27	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	Sustainability report Pg. 27	
205-3	Confirmed incidents of corruption and actions taken	Sustainability report Pg. 27	
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	Sustainability report Pg. 28	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Sustainability report Pg. 29 to 30	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability report Pg. 28	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Sustainability report Pg. 31	
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability report Pg. 30 to 31	
403-5	Worker training on occupational health and safety	Sustainability report Pg. 30 to 31	
403-10	Work-related ill health	Sustainability report Pg. 31	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Sustainability report Pg. 28 to 30	
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability report Pg. 31	
GRI 419: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability report Pg. 32	

CORPORATE INFORMATION

Board Of Directors

ONG BENG CHYE
Independent Non-Executive Chairman

LOW KOK ANN
Executive Director and CEO

DATUK EDWARD LEE MING FOO, JP
Non-Independent Non-Executive Director

LOW SEE CHING
Non-Independent Non-Executive Director

CHEAH YEE LENG
Non-Independent Non-Executive Director

YONG TEAK JAN @ YONG TECK JAN
Non-Independent Non-Executive Director

TERRANCE TAN KONG HWA
Independent Director

FOO YONG HOW
Independent Director

Audit Committee

ONG BENG CHYE | Chairman
TERRANCE TAN KONG HWA
FOO YONG HOW

Nominating Committee

TERRANCE TAN KONG HWA | Chairman
ONG BENG CHYE
FOO YONG HOW

Remuneration Committee

FOO YONG HOW | Chairman
TERRANCE TAN KONG HWA
ONG BENG CHYE

Company Secretary

TAY ENG KIAT JACKSON

Registered Office/Headquarters

105 Eunos Avenue 3 | Hafary Centre | Singapore 409836
Tel: (65) 6383 2314 | Fax: (65) 6253 4496

Share Registrar

BOARDROOM CORPORATE &
ADVISORY SERVICES PTE. LTD.
50 Raffles Place #32-01 | Singapore Land Tower |
Singapore 048623

Share Listing

HAFARY HOLDINGS LIMITED was incorporated on 6 October 2009 and listed in Catalist on 7 December 2009. The Company's listing was upgraded to the SGX Mainboard with effect from 18 June 2013.

Stock code: 5VS (SGX) HAFA.SP (Bloomberg) HFRY.SI (Reuters)

Independent Auditor

RSM CHIO LIM LLP
8 Wilkie Road | #03-08 Wilkie Edge | Singapore 228095
Partner-in-charge: Pang Hui Ting
Effective from reporting year ended 31 December 2016

Internal Auditor

BDO LLP
600 North Bridge Road | #23-01 Parkview Square |
Singapore 188778

Legal Advisors

TSMP LAW CORPORATION
6 Battery Road, Level 41 | Singapore 049909

Principal Bankers

DBS BANK LIMITED
MALAYAN BANKING BERHAD
RHB BANK BERHAD
UNITED OVERSEAS BANK LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") of Hafary Holdings Limited (the "Company") is committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group").

This corporate governance statement describes the Group's corporate governance framework and practices of the Company with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "Code"). Where the Company's practices vary from any provisions of the Code, the Company has provided appropriate explanations for the departures and measures that the Company has taken or intends to take for the departed practices. The Board will continue to take measures to improve compliance with the principles and provisions of the Code in the ensuing years.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1 of the Code:

Directors are fiduciaries who act objectively in the best interests of the company

The Board comprises eight (8) Directors as follows:

Mr Ong Beng Chye	Independent Non-Executive Chairman
Mr Low Kok Ann	Executive Director and Chief Executive Officer (the "Executive Director" and "CEO")
Datuk Edward Lee Ming Foo, _{JP}	Non-Independent Non-Executive Director
Mr Low See Ching	Non-Independent Non-Executive Director
Ms Cheah Yee Leng	Non-Independent Non-Executive Director
Mr Yong Teak Jan @ Yong Teck Jan	Non-Independent Non-Executive Director
Mr Terrance Tan Kong Hwa	Independent Director
Mr Foo Yong How	Independent Director

At least one-third of the Board is made up of Independent Directors who have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, contribute effectively to the Company. All Directors are expected, in the course of carrying out their duties, to act in good faith, provide insights and discharge their duties and responsibilities in the interests of the Group. The Board has adopted a Code of Conduct and Ethics for Directors ("Code of Conduct") which serves to guide the Directors on the areas of ethical risk and sets a framework where integrity and accountability are paramount as well as ethical conduct expected from the Directors in the performance of their duties. Directors should strive to adhere to the Code of Conduct and where conflict of interest arises, the concerned Directors must recuse themselves from discussions and decisions involving the matter and abstain from voting on the matter.

The Board has established the Terms of Reference of the Board to promote high standards of corporate governance. The Terms of Reference of the Board outline high level duties and responsibilities of the Board and matters that are specifically reserved for the Board. It is a comprehensive reference document for Directors on matters relating to the Board and its processes, as well as role and responsibilities of the Board, its committees and management to ensuring effective communication and decisions.

The Board's role is to:

- a) Oversees the management of the Group;

CORPORATE GOVERNANCE STATEMENT

- b) Set strategic objectives and ensure that the necessary financial, strategies and human resources are in place for the Group to meet its objectives;
- c) Delegates the formulation of business policies and the day-to-day management of the Group to the Executive Director and CEO and management to ensure operations and performance of the Group are aligned with the strategies; and
- d) Consider sustainability issues, e.g. environmental and social factors as part of its strategic formulation.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects on a half-yearly basis. While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to the management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies' Act, Chapter 50 and the Singapore Financial Reporting Standards (International).

Provision 1.2 of the Code:
Directors' duties, induction, training and development

To enable the Directors to understand the Company's business as well as their Directorship duties and roles, the Directors receive regular updates on relevant new laws and regulations from the Company's relevant advisors.

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. The orientation for new Directors includes visits to the Group's key premises to familiarise themselves with the Company's operations. Such visits also allow new Directors to get acquainted with senior management, thereby facilitating interaction with the Board and independent access to senior management. Appropriate training shall be arranged upon request by newly-appointed Directors to ensure that newly-appointed Directors are fully aware of their responsibilities and obligations as Directors. Rule 210(5)(a) of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires a Director who has no prior experience as a Director of a company listed on the SGX-ST, to attend the training programmes conducted by the Singapore Institute of Directors ("SID") as prescribed in Practice Note 2.3 of the Listing Manual of the SGX-ST. Mr Foo Yong How ("Mr Foo") was appointed to the Board on 9 July 2020. The Company conducted an orientation for Mr Foo on 20 July 2020.

In October 2020, Mr Foo had attended four core modules under the Listed Entity Director Programme conducted by the Singapore Institute of Directors. In addition, Mr Foo had also attended the relevant elective modules in relation to his appointment on the respective Board Committees.

The Executive Director is appointed to the Board by way of service agreement setting out the scope of his duties and obligations. The Company provides formal letters setting out the duties and responsibilities of Directors to newly-appointed Directors.

CORPORATE GOVERNANCE STATEMENT

The Directors have attended appropriate training on governance practices, enterprise risk management and relevant statutory and regulatory compliance issues. The Company encourages all Directors to receive regular training, particularly on new laws, regulations and commercial risk from time to time. The Directors keep themselves abreast with the changes and developments. Furthermore, the Company Secretary and outsourced secretarial agent highlight any changes to laws and regulatory requirements from time to time to the Board. The External Auditor on the other hand, brief the Board on changes to the Singapore Financial Reporting Standards (International) that affect the Group's financial statements during the period. The Board also receives regular briefings and updates on the businesses, operations and activities at the Board and Board Committees' meetings. When necessary or appropriate, the Board convenes informal meetings for the exchange of views while the Independent Directors conduct discussions amongst themselves from time to time without the presence of the management.

The Group keeps the Directors informed via electronic mail and briefing conducted during Board meetings on new laws, changes to the laws, regulatory compliance issues and financial reporting standards, changes to the financial reporting standards are monitored closely by the management.

Provision 1.3 of the Code:
Matters requiring Board's approval

The Company has adopted internal guidelines which set forth matters that are reserved for the Board's decision. Matters which are specifically reserved for the Board's decision include:

- (a) The appointment of Directors to the Board and senior management staff;
- (b) Major investments decisions of the Group, including new investments and any increase in existing investments in businesses and the subsidiaries of the Group;
- (c) Any divestments to be undertaken by any of the Group's subsidiaries;
- (d) Major funding decisions, including share issuances;
- (e) Interim and final dividends and other returns to shareholders;
- (f) Commitments to borrowing facilities from banks and financial institutions by the Company;
- (g) Interested person transactions;
- (h) Acquisitions and disposal of assets exceeding the limits set by the Board; and
- (i) Expenditures exceeding the limits set by the Board.

The Group also has internal guidelines which set out, among others, the authorisation limits granted to the management for approval of capital and operating expenditures.

There is active interaction between Board members and Management outside of Board and Board Committee meetings. The Board has unfettered access to any Management staff for any information that it may require at all times. Likewise, Management has access to Directors outside of the formal environment of Board and Board Committee meetings for guidance. The Board and Management share a productive and harmonious relationship which facilitates separate and independent access by Directors to management executives, which is critical for good governance and organisational effectiveness.

CORPORATE GOVERNANCE STATEMENT

Provision 1.4 of the Code:
Board committees

Board Committees, namely Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Plan Committee have been constituted to assist the Board in the discharge of specific responsibilities (the "Board Committees"). The Board Committees review or make recommendations to the Board on matters within their specific Terms of Reference.

Board meetings are conducted on a half-yearly basis and ad-hoc meetings are held whenever the Board's guidance or approval is required.

Dates of Board, Board Committee and annual general meetings are scheduled in advance in consultation with the Directors to assist them in planning their attendance. Pursuant to the Company's Constitution, a Director who is unable to attend a Board meeting in person can still participate in the meeting via telephone conference, video conference or other similar communication. Technology is effectively used in the Board and Board Committees' meetings and in communication with the Board, where the Directors may receive agenda and meeting materials online such as email and participate in meetings via audio or video conferencing. Management is often invited to be present and provide detailed explanation on any agenda at Board meetings.

Due to the COVID-19 situation, the Company has conducted meetings via electronic means as much as possible.

Provision 1.5 of the Code:
Attendance and participant of the Directors and time commitment

Attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2020 ("FY2020") is as follows:

	Board Committees			
	Board	AC	NC	RC
Number of scheduled meetings held	2	2	1	1
Name of Directors				
Mr Ong Beng Chye	2	2	1	1
Mr Low Kok Ann	2	2*	1*	1*
Mr Low See Ching	2	2*	1*	1*
Datuk Edward Lee Ming Foo, JP	1	1*	1*	1*
Ms Cheah Yee Leng	2	2*	1*	1*
Mr Yong Teak Jan @ Yong Teck Jan	2	2*	1*	1*
Mr Terrance Tan Kong Hwa	2	2	1	1
Mr Chow Wen Kwan Marcus #	1	1	1	1
Mr Foo Yong How ^	1	1	-	-

Note:

* Attended by invitation

Retired at the Annual General Meeting held on 22 June 2020

^ Appointed on 9 July 2020

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

CORPORATE GOVERNANCE STATEMENT

Provision 1.6 of the Code:
Complete, adequate and timely information prior to make informed decisions

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

The management has provided the Board in advance with unaudited financial statements before announcement of our Group's half yearly and full year results, its annual budget and relevant background information and materials relating to the matters that were discussed at Board meetings. This enables the discussion during the meetings to focus on questions that Directors may have. Any additional materials or information requested by the Directors is promptly furnished. During the Board meetings, management staff who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentations and answer any queries from the Directors.

Provision 1.7 of the Code:
Separate and independent access to management, company secretary and external advisers;
Appointment and removal of the company secretary

The Directors have separate and independent access to the Management, the company secretary, and external advisers.

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

The role of the Company Secretary is clearly defined and includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The responsibilities of the Company Secretary include:

- (a) Administers, attends and prepares minutes of all Board and Board Committees meetings;
- (b) Assists the Board in ensuring that the Company complies with the relevant requirements of the Companies' Act and Listing Manual of the SGX-ST;
- (c) Advises the Board on all corporate governance matters;
- (d) Assists the Independent Non-Executive Chairman in ensuring good information flows within the Board, Board Committees and between the management and the independent Directors; and
- (e) Communication channel between the Company and SGX-ST. The Company Secretary attends all Board and Board Committees meetings and is responsible to ensure that Board procedures are followed.

The appointment or removal of the Company Secretary is subject to the approval of the Board as a whole.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 of the Code:
Director's independence

There is a strong independent element on the Board with Independent Directors constituting at least one-third of the Board. Currently, the Board consists of eight Directors of whom three are independent.

Provision 2.2 of the Code:
Independent Directors make up a majority of the Board

The Company is not required to have at least half of the Board as Independent Directors as the Chairman is an Independent Director.

CORPORATE GOVERNANCE STATEMENT

Provision 2.3 of the Code:
Non-executive Directors make up a majority of the Board

The Independent Directors were first appointed on 10 November 2009 (except Mr Foo who was appointed on 9 July 2020). Each Independent Director was required to complete a confirmation of independence, drawn up according to the guidelines stated in the Code, to confirm his independence. The Independent Directors shall disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgement. The independence of each Director is reviewed annually by NC. Based on the annual review of the independence of the Independent Directors according to the guidelines stated in the Code, the NC ascertained that all Independent Directors are independent. Each member of the NC abstained from reviewing his own independence as an Independent Director.

As at the end of FY2020, Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa have served on the Board beyond nine years from the date of their first appointment. The NC and the Board have conducted a rigorous review of their independence and contributions to the Board to determine if they still remained independent and carry out their duties objectively. Under such rigorous review, each Independent Director has confirmed that neither he nor any of his immediate family has any relationship or business dealings with a controlling shareholder, Director or key management personnel or their associates that would give rise to a conflict of interest or impairment of the Independent Director's independence. The NC and the Board are of the view that Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa possess valuable experience and knowledge, as well as maintained their objectivity and independence at all times in the discharge of each of their duties as an Independent Director of the Company.

Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa having served the Board for over 9 years from the date of their first appointments will be seeking two-tier shareholder vote at the forthcoming AGM for their continued appointments as Independent Directors, each in separate resolution pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022 and such approvals shall continue in force until the earlier of the following: (i) their retirement or resignation as Independent Directors; or (ii) the conclusion of the third AGM of the Company following the passing of the resolutions in relation to their continued appointments.

Provision 2.4 of the Code:
Composition and size of the Board and Board Committees, Board diversity policy

The Company has in place the Board Diversity Policy with a view to achieving a sustainable and balanced development as the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition and selection of new Board members, the Board strive to ensure that:

- (a) All candidates are included for consideration during the search for new appointments to the Board regardless of gender, age, nationalities or ethnicity;
- (b) There is appropriate mix of gender representation on the Board, taking into account the skills and experience the candidates can contribute; and
- (c) External search consultants when looking for suitable candidates for appointment to the Board will be specifically directed to include diverse candidates and women candidates in particular.

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

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

CORPORATE GOVERNANCE STATEMENT

Each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. Each Director brings valuable insights from different perspectives, such as strategic planning, management, finance, accounting and legal, vital to the strategic interests of the Company. Profiles of the Directors are found in the "Board of Directors" section of the Annual Report. The Board considers that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, gender, knowledge and competencies to provide the management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

Provision 2.5 of the Code:
Independent Directors meet regularly without the presence of the Management

To facilitate a more effective check on the management, the Independent Directors meet at least once a year, each with the Group's Internal and External Auditor without the presence of the management. Where necessary, the Company co-ordinates informal meeting sessions for Non-Executive Directors and Independent Directors to meet without the presence of the management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

The Chairman and CEO are separate persons and not related to each other.

Provision 3.2 of the Code:
Division of responsibilities between the Chairman and the CEO

The roles of the Chairman and the CEO have been clearly separated, each having their own area of responsibilities. The Board establishes the division of responsibilities between the Chairman and the CEO.

The Independent Non-Executive Chairman, Mr Ong Beng Chye, ensures that corporate information is adequately disseminated to all Directors in a timely manner to facilitate the effective contribution of all Directors. He promotes a culture of openness and debate at the Board and ensures that adequate time is allocated for discussion of all strategic issues. The Independent Non-Executive Chairman is assisted by the Board Committees and the Internal Auditor who report to the Audit Committee in ensuring compliance with the Company's guidelines on corporate governance.

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

Provision 3.3 of the Code:
Lead Independent Director

The Company's Lead Independent Director is Mr Ong Beng Chye, the Group's Independent Non-Executive Chairman. The Independent Non-Executive Chairman coordinates sessions for the Independent Directors to meet without the presence of other Directors, if required. As both the Lead Independent Director and Non-Executive Chairman, he is available to shareholders through the normal channels when they have concerns.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 of the Code:
NC to recommend to the Board on relevant matters

The NC comprises Mr Terrance Tan Kong Hwa, Mr Ong Beng Chye and Mr Foo Yong How, all of whom are Independent Directors. The Chairman of the NC is Mr Terrance Tan Kong Hwa.

CORPORATE GOVERNANCE STATEMENT

Provision 4.2 of the Code:
Composition of the NC

The key Terms of Reference of the NC are as follows:

- (a) Review the Board and Board Committees structure, size, and composition annually;
- (b) Identify suitable candidate and review all nominations on appointment and re-appointment of Directors;
- (c) Determine annually whether or not a Director is independent, guided by the independent guidelines contained in the code;
- (d) Develop a performance evaluation framework for the Board, the Board Committees and Individual Directors, and proposing objective performance criteria to assess the effectiveness of the Board, the Committee and Individual Directors;
- (e) Review and decide if a Director, who has multiple board representations on publicly listed companies, is able to and has been adequately carrying out his/her duties as a Director of the Company;
- (f) Review and recommend training and professional development programme for the Board;
- (g) Assess whether each Director is able to and has been adequately carrying out his duties as Director of the Company;
- (h) Review of succession plans for Directors, CEO and key management personnel of the Company; and
- (i) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual of the SGX-ST.

Pursuant to Article 104 of the Company's Constitution, at least one-third of the Company's Directors are required to retire from office at every Annual General Meeting ("AGM") of the Company. Pursuant to Rule 720(5) of the Listing Manual of the SGX-ST, every Director must retire from office at least once every three years and are eligible for re-election.

The NC has recommended to put forward the following at the forthcoming AGM:

- (a) Re-election of the following Directors pursuant to Article 104 of the Company's Constitution and/or Rule 720(5) of the Listing Manual of the SGX-ST:

Mr Ong Beng Chye;

Datuk Edward Lee Ming Foo _{JP}; and

Mr Yong Teak Jan @ Yong Teck Jan.

- (b) Re-election of Mr Foo Yong How as Director pursuant to Article 108 of the Company's Constitution; and
- (c) Continued appointment of Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa as Independent Directors be put forward for two-tier shareholder vote pursuant to Rule 210(5) (d)(iii) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022. The Board has accepted the NC's recommendations of the above re-elections of Directors and Mr Ong Beng Chye, Datuk Edward Lee Ming Foo _{JP}, Mr Yong Teak Jan @ Yong Teck Jan and Mr Foo Yong How have offered themselves for re-election at the forthcoming AGM. Please refer to "Board of Directors" section of the Annual Report for details and information of the above Directors.

CORPORATE GOVERNANCE STATEMENT

The Board has also accepted the NC's recommendations of the continued appointment of Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa as Independent Directors be put forward for two-tier shareholder vote at the forthcoming AGM. Details are set out in the Notice of AGM.

Provision 4.3 of the Code:
Process for the selection, appointment and re-appointment of Directors

When the need for a new Director to replace a retiring Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria. Candidates would first be sourced through an extensive network of contacts and identified based on the needs of the Group and relevant expertise and experience required. The NC may engage recruitment consultants to undertake research on or assess candidates for new position on the Board, or to engage such other independent experts, if necessary. After the Board has interviewed the candidates, the NC would further shortlist and recommend the candidates for appointment to the Board. The Board has the final discretion in appointing new Directors.

The NC recommends the appointment and re-election of Directors to the Board for approval based on the following criteria:

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

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

The Board of the Company does not comprise any alternate Director. No alternate Director was appointed throughout during FY2020.

Provision 4.4 of the Code:
Circumstances affecting Directors' Independence

Having regard to the circumstance sets set forth in Provision 2.1 of the Code, the Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board under the declaration of section 156 of the Companies Act Chapter 50.

The NC is responsible for determining annually whether or not a Director is independent for purpose of the Code. Each Independent Director is required to complete a confirmation of independence, drawn up according to the guidelines stated in the Code, to confirm his independence. He is required to disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgement. Based on the annual review of the independence of the Independent Directors according to the guidelines stated in the Code, the NC ascertained that all Independent Directors are independent for the purpose of the Code. Each member of the NC shall abstain from reviewing his own independence as an Independent Director.

Provisions 1.5 and 4.5 of the Code:
Multiple listed company Directorship and other principal commitments

When a Director has multiple listed company Directorship and other principal commitments, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company.

The NC believes that putting a maximum limit on the number of Directorships a Director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

CORPORATE GOVERNANCE STATEMENT

The NC is satisfied that sufficient time and attention were given by the Directors to the affairs of the Company during FY2020, notwithstanding that they hold Directorships in other listed companies and have other principal commitments, and will continue to do so in FY2021.

The list of Directorships held by Directors presently or in the preceding three years in other listed companies, and other principal commitments are set out in the "Board of Directors" section of the Annual Report.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each its board committees and individual Directors.

Provision 5.1 and 5.2 of the Code:

Assessment of effectiveness of the Board and Board committees and assessing the contribution by the Chairman and each Director

The NC is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The performance evaluation framework is in the form of assessment questionnaires and the evaluation covers amongst other, Board and Board Committees' compositions, processes in managing the Group's performance, effectiveness of the Board, Board Committees as well as conduct, mix of skills, knowledge, competencies and contribution of each Director to the Company in discharging their function.

The questionnaires are completed by the members of the Board and Board Committees and each Director for self-assessment. The completed questionnaires are collated by the Company Secretary for deliberation by the NC. The NC led by its Chairman, reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement as well as for them to form the basis of recommending relevant Directors for re-election at the AGM. The Chairman will act on the results of the performance evaluation and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

During the FY2020, the NC met once and assessed the Board, Board Committees and individual Directors. The NC was satisfied with the outcome of the evaluations and both the NC and the Board are of the view that the Board has met its performance objectives for FY2020. No external facilitator was engaged in the performance assessment.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director should be involved in deciding his or her own remuneration.

Provision 6.2 of the Code:
Composition of RC

The RC comprises Mr Foo Yong How, Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa, all of whom are Independent Directors. The Chairman of the RC is Mr Foo Yong How.

Provision 6.1 of the Code:
RC to recommend remuneration framework and packages

The key Terms of Reference of the RC are as follows:

- (a) Review and recommend to the Board a general framework of remuneration for the Board and key management personnel;
- (b) Review and recommend to the Board the specific remuneration packages for each Director and key management personnel;
- (c) Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;
- (d) Determine the appropriateness of the remuneration of Non-Executive Directors taking into consideration their effort, time spent, responsibilities and level of contribution;

CORPORATE GOVERNANCE STATEMENT

- (e) Review the ongoing appropriateness and relevance of the Company's remuneration policy;
- (f) Administer the Hafary Performance Share Plan and any other share option scheme established from time to time for the Directors and the management;
- (g) Work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and
- (h) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or SGX Listing Rules (Mainboard).

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

Provision 6.3 of the Code:
RC to consider and ensure all aspects of remuneration are fair

The RC is responsible for all aspects of remuneration, including termination terms.

The Non-Executive Directors and Independent Directors do not have service agreements with the Company. The Non-Executive Directors and Independent Directors received Directors' fees which are recommended by the Board for approval at the Company's AGM.

The Executive Director and CEO does not receive Director's fees and is paid based on his Service Agreement with the Company. In setting the remuneration packages of the Executive Director and CEO, the Company takes into account the performance of the Group and that of the Executive Director and CEO which is aligned with long term interest of the Group. The RC has reviewed and approved the Service Agreement of the Executive Director and CEO which is valid for 3 years. The Service Agreement entered into between the Executive Director and CEO and the Company was renewed on 1 February 2020. The RC is of the view that the Service tenure of the current Service Agreement is not excessively long and there are no onerous termination clauses.

The amount of variable bonus payment (i.e. performance bonus) for a particular financial period is dependent on the amount of the Group's profit before income tax achieved as set out below:

Profit before income tax ("PBT")	Executive Director and CEO
Up to S\$3 million	1.5%
Above S\$3 million and up to S\$5 million	S\$45,000 plus 3.0% of PBT in excess of S\$3 million
Above S\$5 million	S\$105,000 plus 4.5% of PBT in excess of S\$5 million

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

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

Provision 6.4 of the Code:
Expert advice on remuneration

The RC members are familiar with management compensation matters as they manage their own businesses and/or are holding Directorships in other listed companies. If necessary, the RC may seek professional advice on remuneration of all Directors. During FY2020, no external remuneration consultants were engaged.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

CORPORATE GOVERNANCE STATEMENT

Provision 7.1 and 7.3 of the Code: Executive Directors and key management personnel's remuneration to be linked to corporate and individual performance and aligned with interests of shareholders; Remuneration is appropriate to provide good stewardship and promote long-term success of the Company

Remuneration of the Executive Director and CEO and Group's key management personnel comprise a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component which comprises bonuses is linked to the performance of the Company and the individual. In FY2020, variable or performance related income/bonus made up between 7% to 42% of the total remuneration of the Executive Director and CEO and each of the Group's key management personnel. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholder value creation.

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

The Service Agreement of the Executive Director and CEO contains clauses to allow the Company to reclaim variable components of remuneration in exceptional circumstances.

Long term incentive schemes are provided in the form of Hafary Performance Share Plan ("Hafary PSP") for eligible employee. Details of Hafary PSP are disclosed in the Statement by Directors and in this Statement. During FY2020, no performance shares were granted, vested or cancelled under the Hafary PSP.

Provision 7.2 of the Code: Remuneration of non-executive Directors dependent on contribution, effort, time spent and responsibilities

None of the Non-Executive Directors and Independent Directors have service agreements with the Company or receive any remuneration from the Company. They are paid Directors' fees, which are determined by the Board based on their contribution, effort, time spent and responsibilities. The Directors' fees are subject to approval by the Shareholders at each AGM. Currently, the Company does not have any scheme to encourage Non-Executive Directors and Independent Directors to hold shares in the Company.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 of the Code: Remuneration of Directors and key management personnel

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

There is no termination, retirement and post-employment benefits granted to Directors, the Executive Director and CEO or the top five key management personnel. Short-term incentive of the Executive Director and CEO and key management personnel takes the form of annual variable bonus payment and is linked to the performance of the Company and the individual.

The Board is of the view that full disclosure of the specific remuneration of each individual Director and the key management personnel is not in the best interests of the Company or its stakeholders, and that alternative, being the disclosure of the remuneration of its Directors and key management personnel within salary bands of S\$250,000 constitutes sufficient transparency of its remuneration policies. In arriving at this decision, the Board had taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the relative size of the Group, the competitive business environment in which the Group operates, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level and key management personnel on a long-term basis. Based on a comparison against a peer group of listed companies in the same industry over a multi-year period, which the peer group remains constant from year to year, the Board believes that the remuneration of the Non-Executive Directors and the Executive Director, being the CEO, is in line with industry practice.

CORPORATE GOVERNANCE STATEMENT

A breakdown showing the band and mix of each Director's remuneration for the FY2020 is as follows:

Remuneration band and name of Director	Directors' fee (%)	Salary, CPF and allowance (%)	Variable or performance related bonus (%)	Total (%)
\$S\$250,000 to \$S\$499,999				
Mr Low Kok Ann	-	58	42	100
Below \$S\$250,000				
Datuk Edward Lee Ming Foo, JP	100	-	-	100
Mr Low See Ching	100	-	-	100
Ms Cheah Yee Leng	100	-	-	100
Mr Yong Teak Jan @ Yong Teck Jan	100	-	-	100
Mr Ong Beng Chye	100	-	-	100
Mr Terrance Tan Kong Hwa	100	-	-	100
Mr Chow Wen Kwan Marcus	100	-	-	100
Mr Foo Yong How	100	-	-	100

A breakdown showing the band and mix of remuneration of each top 5 key management personnel's (who are not Directors or CEO of the Company) for FY2020 is as follows:

Remuneration band and name of key management personnel	Fixed salary (%)	Variable or performance-related bonus (%)	Total (%)
Below \$S\$250,000			
Mr Goh Keng Boon Frank	83	17	100
Mr Tay Eng Kiat Jackson	92	8	100
Mr Tay Chye Heng Stephen	90	10	100
Mr Koh Yew Seng Mike	93	7	100
Mr Cheong Ching Hing Simon	93	7	100

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO of the Company) for FY2020 was \$S\$976,000.

Provision 8.2 of the Code:
Remuneration disclosure of related employees

During FY2020, the Group did not have any employees with remuneration exceeding \$S\$100,000, who (i) is a substantial shareholder of the Company; or (ii) is an immediate family member of a Director or the CEO, or a substantial shareholder of the Company.

Provision 8.3 of the Code:
Details of employee share schemes

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

Share awards (each an "Award") granted under the Hafary PSP will be principally (i) performance-based and (ii) loyalty based. The performance targets to be set are intended to be broad-based and shall take into account both the medium-term corporate objectives of the Group and the individual performance of the Participant. The medium-term corporate objectives include market competitiveness, quality of returns, business growth and productivity growth. The performance targets set are based on medium-term corporate objectives, which include revenue growth, growth in earnings and return on investment. Additionally, the Participant's length of service with the Group, achievement of past performance targets, extent of value-adding to the Group's performance and development and overall enhancement to Shareholder value, inter alia, will be

CORPORATE GOVERNANCE STATEMENT

taken into account. The Hafary PSP may also have an extended vesting period, that is, the Awards will also incorporate a time-based service condition, to encourage Participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

The Hafary PSP was approved by the shareholders of the Company at the AGM held on 25 October 2013, and is administered by the Plan Committee, comprising the Remuneration Committee and the Executive Director and CEO authorised and appointed by the Board. The Hafary PSP shall be in force at the discretion of the Plan Committee, subject to a maximum period of 10 years commencing 25 October 2013.

Members of the Plan Committee:

Mr Foo Yong How	Chairman
Mr Ong Beng Chye	Member
Mr Terrance Tan Kong Hwa	Member
Mr Low Kok Ann	Member

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

During FY2020, no Awards were granted, vested and cancelled under the Hafary PSP.

The number of performance shares vested at the vesting date are dependent on the level of achievement against the pre-set performance conditions and targets.

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

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Provision 9.1 of the Code: Board determines the nature and extent of the significant risks

Principle 9: The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board determines the nature and extent of the risks which the Company is willing to take in achieving its objectives and value creation. The Board is assisted by a separate Enterprise Risk Management Committee in carrying out its responsibility of overseeing the Company's risk management framework and policies.

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

CORPORATE GOVERNANCE STATEMENT

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

- (a) Establishing the context;
- (b) Risk identification;
- (c) Risk prioritisation;
- (d) Risk mitigation;
- (e) Risk reporting; and
- (f) Risk updates.

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

The Group's Internal Auditor, BDO LLP, carry out internal audit on the system of internal controls and report the findings to the AC. The Group's External Auditor, RSM Chio Lim LLP, have also carried out, in the course of their statutory audit, an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the Internal and External Auditors and will ensure that the Company follows up on the Auditors' recommendations raised during the audit process.

The financial statements for the year were audited by RSM Chio Lim LLP and the AC has recommended to the Board that RSM Chio Lim LLP be nominated for re-appointment as Independent Auditor of the Company at the forthcoming AGM.

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

Provision 9.2 of the Code: Assurance from CEO, CFO and other key management personnel

The Board also received assurance from the Executive Director and CEO, the Group's Chief Operating Officer ("COO") and the Group's Financial Controller that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, regular audits, monitoring and reviews performed by the Internal and External Auditor, review of the risk assessment reports, assurance from the Executive Director and CEO, the Group's COO and Group's Financial Controller and reviews performed by the management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks as at 31 December 2020 which the Group considers relevant and material to its current business scope and environment.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal controls system.

CORPORATE GOVERNANCE STATEMENT

AUDIT COMMITTEE

Provision 10.1 and 10.2 of the Code:
Duties and composition of the AC

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The Audit Committee ("AC") comprises Mr Ong Beng Chye, Mr Terrance Tan Kong Hwa and Mr Foo Yong How, all of whom are Independent Directors. The Chairman of the AC is Mr Ong Beng Chye.

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

The key Terms of Reference of the AC are as follows:

- (a) Review the financial statements and the independent auditor's report on those financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (b) Review assurance from the Executive Director and CEO and the Group's Financial Controller on the financial records and financial statement and assurance from Executive Director and CEO and other key management personnel who are responsible on the adequacy and effective of the risk management and internal control systems;
- (c) Review the adequacy and effective of the Company's risk management and internal control in relation to financial reporting other financial-related risk and controls and report to the Board;
- (d) Review with the Internal Auditor the internal audit plan and their evaluation of the adequacy and effectiveness of the internal controls and accounting system before submission of the results of such review to the Board;
- (e) Review with the External Auditor the audit plan, their evaluation of the Company's internal accounting controls that are relevant to their statutory audit and their audit report; Report to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;
- (f) Ensure co-ordination between the External Auditor and Internal Auditor and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- (g) Review and discuss with External and Internal Auditor (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and management's response;
- (h) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the External Auditor;
- (i) Review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (j) Review and ensure proper disclosure and reporting in the annual report on related party transactions as required by the accounting standards;

CORPORATE GOVERNANCE STATEMENT

- (k) Oversee the establishment and operation of the whistleblowing processing in the Company;
- (l) Review any potential conflicts of interest;
- (m) Undertake such other functions and duties as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of our AC; and
- (n) Generally undertake such other functions and duties as may be required by the Board under the Code of Corporate Governance 2018, statute or SGX Listing Rules (Mainboard) and Companies Act, (Chapter 50) of Singapore.

The AC also has the power to conduct or authorise to investigate any matter within its Terms of Reference, and has full access to, and cooperation of, the management. The AC has full discretion to invite any Director or management staff to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the Independent Auditor.

The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular transaction.

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements. The AC also reviews the adequacy and effectiveness of the Company's internal controls and effectiveness of the Company's internal audit function as set out in the guidelines stated in the Code. The services of the Internal Auditor are utilised to assist the AC in the discharge of its duties and responsibilities.

The AC will review, at least annually, the Group's key financial risk areas (including but not limited to), the Group's cash management policies and cash position, collection of debts, hedging policies and foreign currency transactions (if any) and off-balance sheet items (if any) with a view to providing an independent oversight on the Group's financial reporting. Where the findings are material, the outcome of these reviews will immediately be announced via SGXNet and disclosed in the annual report of the Group.

The AC has reviewed all non-audit services provided by the External Auditor. The aggregate amount of fees paid/payable to the External Auditor for FY2020 audit and non-audit services are S\$244,000 and S\$44,000 respectively.

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

The Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its independent auditors.

Provision 10.3 of the Code:
AC does not comprise former partner or Directors of the Company's auditing firm

None of the members of the AC was a former partner or Director of RSM Chio Lim LLP, the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner or Director of the auditing firm or auditing corporation and none of the AC members have any financial interest in the auditing firm or auditing corporation.

CORPORATE GOVERNANCE STATEMENT

Provision 10.4 of the Code:
Primary reporting line of the internal audit function is to AC; internal audit function has unfettered access to Company's documents, record, properties and personnel

The Group outsources its internal audit function to BDO LLP, an international auditing firm, to review key business processes of the Company and its key subsidiaries. The primary reporting line of the Internal Auditor function is to AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company. The AC approves the hiring, removal, evaluation and compensation of the Internal Auditor.

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the Internal Audit is independent, adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced and has the appropriate standing in the Company to discharge its duties effectively.

Provision 10.5 of the Code:
AC to meet auditors without the presence of management annually

The AC meets with the Group's Internal Auditor and External Auditor without the presence of the management at least once a year. Such meeting enables the Internal Auditor and External Auditor to raise any issue encountered in the course of their work directly to the AC. For FY2020, the AC met once with the Internal Auditor and External Auditor, each without presence of the management.

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2020, the AC has discussed with the management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements. The following significant matters impacting the financial statements were discussed with the management and the External Auditor and were reviewed by the AC. The External Auditor has included these 2 significant matters as their key audit matters in the independent auditor's report for the FY2020. Please refer to Independent Auditor's Report in Financial Statements FY2020.

Key audit matters	How the matters were addressed by the AC
Assessment of expected credit loss allowance on trade receivables	Net trade receivables amounted to S\$24.2 million as at 31 December 2020. The AC considered management's approach, methodology and judgement pertaining to revenue recognition and the estimate of trade receivables impairment allowance. The AC also considered the observations and findings presented by the External Auditor with reference to the payment track records of trade debtors and adequacy of allowance for impairment of trade receivables. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of trade receivables is adequately made as at 31 December 2020 and the relating disclosures in the financial statements are appropriate.
Assessment of impairment allowance on inventories	Net inventories amounted to S\$50.9 million as at 31 December 2020. The AC considered management's approach, methodology and judgement applied to the estimate of impairment allowance for slow-moving and obsolete inventories. The AC also considered the observation and findings presented by the External Auditor with reference to the adequacy of allowance for impairment of inventories. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of inventories is adequately made as at 31 December 2020.

CORPORATE GOVERNANCE STATEMENT

WHISTLE-BLOWING POLICY

The Company has in place a whistle-blowing policy where staff of the Company and any other persons can have access to the AC Chairman and members. All concerns about possible improprieties in financial reporting and other matters would be channelled to the AC Chairman and members. The Company will treat all information received confidentially and protect the identity and the interests of all whistle-blowers.

A whistle-blower email address is created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policy and arrangements have been made available to all employees of the Company and is published on the Company's website (http://www.hafary.com.sg/investor_relations/policies).

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

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Provision 11.1 of the Code:
The Company provides shareholders with the opportunity to participate effectively and vote at general meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The financial results for the half-yearly and full year are released to shareholders via SGXNet within 45 and 60 days of the half-yearly date and full year-end date respectively.

Notices of general meetings are dispatched to shareholders, together with the annual report and/or circulars within the time notice period as prescribed by the regulations. At general meetings, shareholders will be given opportunities to voice their views and direct their questions to the Board regarding the Company.

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

Shareholders will also be briefed during the general meetings on voting procedures of the general meetings. Due to COVID-19 restriction orders in Singapore, Annual General Meeting for the financial year ended 31 December 2019 ("2020 AGM") was held by way of electronic means via live webcast. To enable the members to participate at the 2020 AGM and exercise their votes effectively, instructions on how to register, participate, pose their questions, submission of proxy form, vote and etc relating to the 2020 AGM were published on the SGXNet and Company's website.

At the 2020 AGM, the Chairman was appointed as the proxy to vote according to the members' instructions. The Chairman briefed the procedure to be followed by the shareholders even though the 2020 AGM was conducted by electronic means via live webcast and all resolutions were deemed proposed and seconded.

CORPORATE GOVERNANCE STATEMENT

In view of the current COVID-19 situation in Singapore, the forthcoming AGM will also be held by electronic means pursuant to the COVID-19 (Temporary Measures Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Similarly to 2020 AGM, alternative arrangements relating to attendance at the forthcoming AGM, (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman as proxy at the AGM will also be put in place for the forthcoming AGM.

Provision 11.2 of the Code:
Separate resolutions on each substantially separate issue

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and agrees to the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

Provision 11.3 of the Code:
All Directors attend general meetings of shareholders

All Directors, including the Independent Non-Executive Chairman of the Board, and various Board Committees, attend the general meetings to address shareholders' queries and receive feedback from shareholders. The External Auditor, RSM Chio Lim LLP, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

Provision 11.4 of the Code:
Company's Constitution allow for absentia voting of shareholders

The Company's Constitution allows a member entitled to attend and vote to appoint not more than 2 proxies to attend and vote instead of the member and also provides that the proxy need not be a member of the Company. Voting in absentia by mail, email or fax is currently not permitted to ensure proper authentication of the identity of the shareholders and their voting intentions.

Provision 11.5 of the Code:
Minutes of general meetings are published on Company's corporate website as soon as practicable

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

In regard to the 2020 AGM, the minutes were published on the SGXNet and the Company's website within the prescribed timeline set by the SGX-ST and all questions received from the shareholders and answer were also published on the SGXNet and the Company's website ahead of the 2020 AGM.

Voting at the general meeting will be by way of poll pursuant to Rule 730A(2) of the Listing Manual of the SGX-ST. Announcement on the poll results (showing the number of votes cast for and against each resolution and the respective percentages) will be released after the meeting via SGXNet.

All resolutions tabled at the 2020 AGM were conducted by poll pursuant to Listing Manual of the SGX-ST and counted by the Polling Agent as well as verified by the Scrutineer ahead of 2020 AGM. The poll results were announced by the Company via SGXNet on the same day for the benefit of all shareholders.

Provision 11.6 of the Code:
Dividend policy

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

CORPORATE GOVERNANCE STATEMENT

Any dividend payments are clearly communicated to shareholders via announcements on SGXNet. During FY2020, the Company had declared and paid one interim dividend (tax exempt one-tier) totalling 0.25 Singapore cent per ordinary share. The Board has also proposed a final dividend of 0.75 Singapore cent per ordinary share for approval at the forthcoming AGM.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meeting and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provision 12.1 of the Code:
Company provides avenues for communication between the Board and shareholders and disclose in its annual report to steps taken to solicit and understand the views of shareholders

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

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

Provision 13.3 of the Code:
Corporate website to engage stakeholders

The Company recognises that open communication is essential and has established an investor relations policy for communicating with shareholders and other audiences in the finance and investment community. This policy aims to ensure that relevant information about the Group's activities is communicated to legitimately interested parties subject to any overriding considerations of business confidentiality and cost. The investor relations policy is available at the Company's website (http://www.hafary.com.sg/investor_relations/policies).

Provision 12.2 and 12.3 of the Code:
Board to maintain regular dialogue with shareholders;
Board to disclose the steps taken to solicit and understand shareholders' views

The Group has in place an investor relations policy, which is overseen by the Group's Chief Operating Officer. The management regularly communicates with the analysts and shareholders through email, telephone or face-to-face dialogues to update them on the latest corporate development and address their queries throughout the year.

The Company provided opportunities for communication with the shareholders, investors and other stakeholders during FY2020 as follows:

- (a) Annual General Meeting; and
- (b) Update on corporate developments via SGXNet.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provision 13.1 and 13.2 of Code:
Engagement with material stakeholder groups

The Company provides contact details on its website at www.hafary.com.sg as the Company recognises the importance of stakeholder engagement to the long-term sustainability of its business. During FY2020, the Company received a number of telephone enquiries from shareholders and investors were attended promptly by the Company.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. Details of how these groups are identified and engaged in key area focus are disclosed in "Sustainability Report" section of the Annual Report. The Company's sustainability team can be contacted via email at (sustainability@hafary.com.sg).

CORPORATE GOVERNANCE STATEMENT

DEALINGS IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of the SGX-ST on Dealing in Securities, the Company has adopted its own Internal Code of Conduct and issues circulars to its Directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in the shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half-yearly financial results and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule 1207(19) of the Listing Manual of the SGX-ST during FY2020.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length and is reviewed by the AC. Besides the information disclosed in Table 1 below, there were no other interested person transactions conducted during the year, which exceeds S\$100,000 in value.

The Group has a general mandate for interested person transactions which has been in force since 11 April 2016. This general mandate will be renewed at the forthcoming AGM.

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, except as disclosed in Interested Person Transactions, there was no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any Director or controlling shareholder during FY2020.

Table 1:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period 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	
		FY2020	FY2019	FY2020	FY2019
		S\$'000	S\$'000	S\$'000	S\$'000
Purchases from Malaysian Mosaic Sdn. Bhd. ("MMSB")	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad.	271	3,871	-	-
Purchases from MML Marketing Pte. Ltd. ("MML")	MML is a wholly-owned subsidiary of MMSB	2,563	2,594	-	-
Sales to Malaysian Mosaic Sdn. Bhd.	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad.	-	518	-	-
Sales to Mr Low See Ching ("Mr Low")	Mr Low is a Non-Independent Non-Executive Director.	-	-	377	-

CONTENTS

STATEMENT BY DIRECTORS AND FINANCIAL STATEMENTS

Statement by Directors	61
Independent Auditor's Report	65
Consolidated Statement of Profit or Loss and Other Comprehensive Income	69
Statements of Financial Position	70
Statements of Changes in Equity	71
Consolidated Statement of Cash Flows	72
Notes to the Financial Statements	74
Statistics of Shareholdings	130
Additional Information on Directors Seeking Re-Election	132
Notice of Annual General Meeting	155
Proxy Form	

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

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

2. Directors

The directors of the company in office at the date of this statement are:

Cheah Yee Leng
Datuk Edward Lee Ming Foo, JP
Foo Yong How (Appointed on 9 July 2020)
Low Kok Ann
Low See Ching
Ong Beng Chye
Terrance Tan Kong Hwa
Yong Teak Jan @ Yong Teck Jan

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

Name of directors and companies in which interests are held	Direct interests		Deemed interests	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
The company	Number of shares of no par value			
Low Kok Ann	35,539,003	35,564,003	-	-
Low See Ching	113,900	69,667,300	69,553,400	-

The directors' interests as at 21 January 2021 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except as mentioned below.

5. Hafary Performance Share Plan

The Hafary Performance Share Plan (the "Hafary PSP") is intended to give the company greater flexibility in tailoring reward and incentive packages for its directors and employees, and aligning their interest with those of the company's shareholders.

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

The Hafary PSP was approved by the shareholders of the company at its annual general meeting held on 25 October 2013.

The Hafary PSP is administered by the Plan Committee, comprising the Remuneration Committee and the Chief Executive Officer, who is authorised and appointed by the Board. Members of the Plan Committee are as follows:

Foo Yong How (Chairman of Remuneration Committee and Independent Director)

Ong Beng Chye (Independent Director)

Terrance Tan Kong Hwa (Independent Director)

Low Kok Ann (Executive Director and Chief Executive Officer)

Participants in the Hafary PSP will receive awards which represent the rights to receive fully paid shares of the company free of charge, upon satisfying the performance condition (determined at the discretion of the Plan Committee) and provided that the relevant participant has continued to be a group executive from the award date up to the end of the performance period. Employees who are controlling shareholders or associates of controlling shareholders shall not participate in the Hafary PSP.

During the reporting year, there was no performance shares granted, vested and cancelled under the Hafary PSP.

The number of performance shares vested at the vesting date are dependent on the level of achievement against the pre-set performance conditions and targets.

From the commencement of the Hafary PSP, no performance shares were granted to directors of the company.

STATEMENT BY DIRECTORS

5. Hafary Performance Share Plan (cont'd)

Details of performance shares granted under the Hafary PSP to other participants are as follows:

Recipients	Number of Hafary performance shares				
	Performance shares granted during reporting year ended 31 December 2020	Aggregate performance shares granted since commencement of the Plan to 31 December 2020	Aggregate performance shares vested since commencement of the Plan to 31 December 2020	Aggregate performance shares cancelled / lapsed since commencement of the Plan to 31 December 2020	Aggregate performance shares outstanding at 31 December 2020
Other participants	-	1,800,000	1,550,000	250,000	-

No participants received 5% or more of the total performance shares available under the Hafary PSP.

The vesting period of Hafary PSP ended on 30 June 2017.

Except for the Hafary PSP as disclosed above, there were no unissued shares of the company or its related body corporates under shares awards granted by the company or its related body corporates as at 31 December 2020.

6. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted and there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Report of Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Ong Beng Chye	(Chairman of Audit Committee and Independent Director)
Foo Yong How	(Independent Director)
Terrance Tan Kong Hwa	(Independent Director)

The Audit Committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls that are relevant to their statutory audit, their report on the financial statements and the assistance given by management to them;

STATEMENT BY DIRECTORS

8. Report of Audit Committee (cont'd)

- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to them;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the Corporate Governance Statement included in the annual report of the company. It also includes an explanation of how independent external auditor's objectivity and independence are safeguarded where the independent external auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the Audit Committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2020.

10. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 22 February 2021, which would materially affect the group's and company's operating and financial performance as of the date of this report.

On behalf of the directors

Low Kok Ann
Director

Low See Ching
Director

26 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hafary Holdings Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters ("KAMs") are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Assessment of expected credit loss allowance on trade receivables

Refer to Note 2 for the relevant accounting policy and Notes 23 and 36D for the breakdown in trade receivables and credit risk of the group respectively. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committee to the reported KAMs.

Key Audit Matter

The group's trade receivables totaled \$24,230,000 as at the end of the reporting year. Any impairment of significant receivables could have material impact to the group's profit or loss. This risk has increased in the current period due to the Covid-19 driven by higher sales collection days.

The estimate of impairment allowance is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability. Specific impairment allowance is provided accordingly. Besides that, expected credit losses ("ECL") model is also applied to determine the loss allowance for trade receivables based on historical observed default rates adjusted for forward-looking estimates.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED

Key audit matters (cont'd)

(1) Assessment of expected credit loss allowance on trade receivables (cont'd)

How we addressed the matter in our audit

Our audit procedures included (a) assessing the recoverability of the significant aged debts, by discussing with management, checking subsequent collections and corroborating to the historical payment records; and (b) assessing whether disclosures in respect of the credit risk of trade receivables is appropriate.

For ECL, our audit procedures included (a) reviewing management's assessment of ECL; and (b) assessing the measurement of the expected credit loss allowance. An impairment allowance is provided accordingly.

We also evaluated the qualitative adjustment to the allowance and challenged the reasonableness of the key assumptions in determining the allowance.

We assessed the adequacy of the disclosures in the financial statements.

(2) Assessment of impairment allowance on inventories

Refer to Note 2 for the relevant accounting policy and Note 22 for the breakdown in inventories at the reporting year end. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committee to the reported KAMs.

Key Audit Matter

The group held inventories of \$50,938,000 as at end of the reporting year. The carrying amount of inventories may not be recoverable in full if those inventories become slow moving, or if their selling prices have declined below carrying amounts.

The estimate of allowance for slow moving inventories is based on the age of these inventories, prevailing market conditions in the industry and historical allowance experience which requires management's judgement. Management applies particular judgement in the areas relating to inventory allowance based on inventory aging. This methodology relies upon assumptions made in determining appropriate allowance of inventories.

How we addressed the matter in our audit

We selected samples for testing. Our audit procedures included (a) the checking of the net realisable value of the inventories by considering post yearend sales to identify any further sales made at a loss; and (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant built up of aged inventories and assessing the reasonableness of the allowance for slow moving inventories. We also assessed the management's judgement and assumptions applied to comply with the group's inventory allowance policy by analysing the historical data trend as well as performing analytical procedures on the inventory aging profile.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Hui Ting.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

26 March 2021

Engagement partner - effective from year ended 31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	5	84,315	108,440
Interest income	6	105	96
Other gains	7	3,683	283
Changes in inventories of goods held for resale		446	(2,002)
Purchases and related costs		(44,571)	(57,416)
Employee benefits expense	8	(16,163)	(19,906)
Amortisation and depreciation expense	15, 16, 17	(7,248)	(7,721)
Impairment losses	9	(4,404)	(1,485)
Other losses	7	(575)	(61)
Finance costs	10	(3,261)	(4,535)
Other expenses	11	(7,910)	(8,244)
Share of profit from an equity-accounted associate	19	1,775	4,007
Share of profit from equity-accounted joint ventures	20	68	118
Profit before income tax		6,260	11,574
Income tax expense	12	(725)	(1,569)
Profit, net of tax		5,535	10,005
Other comprehensive income (loss)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax	27	315	(530)
Total comprehensive income for the year, net of tax		5,850	9,475
Profit (loss) attributable to:			
- Owners of the parent, net of tax		5,260	10,087
- Non-controlling interests, net of tax		275	(82)
		5,535	10,005
Total comprehensive income (loss) attributable to:			
- Owners of the parent		5,575	9,557
- Non-controlling interests		275	(82)
		5,850	9,475
		Cents	Cents
Earnings per share			
Basic and diluted	13	1.22	2.34

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	72,501	76,631	268	360
Right-of-use assets	16	37,863	40,244	-	-
Investment property	17	4,191	4,210	-	-
Investments in subsidiaries	18	-	-	9,239	9,239
Investment in an associate	19	15,753	15,620	-	-
Investments in joint ventures	20	2,655	2,503	-	-
Other financial assets, non-current	21	412	522	412	522
Other receivables, non-current	23	-	137	-	-
Total non-current assets		133,375	139,867	9,919	10,121
Current assets					
Inventories	22	50,938	54,178	-	-
Trade and other receivables, current	23	29,960	31,905	30,529	29,531
Derivative financial assets	33	9	-	-	-
Other non-financial assets	24	5,372	5,470	9	7
Cash and cash equivalents	25	5,211	7,559	22	60
Total current assets		91,490	99,112	30,560	29,598
Total assets		224,865	238,979	40,479	39,719
EQUITY AND LIABILITIES					
Equity					
Share capital	26	26,930	26,930	26,930	26,930
Retained earnings		45,580	43,549	3,450	2,413
Foreign currency translation reserve	27	(1,201)	(1,516)	-	-
Equity, attributable to owners of the parent		71,309	68,963	30,380	29,343
Non-controlling interests		2,159	2,024	-	-
Total equity		73,468	70,987	30,380	29,343
Non-current liabilities					
Deferred tax liabilities	12	664	476	-	-
Other financial liabilities, non-current	28	82,256	77,673	-	-
Lease liabilities, non-current	29	9,355	10,319	101	156
Total non-current liabilities		92,275	88,468	101	156
Current liabilities					
Income tax payable		1,285	1,863	5	5
Provision	30	725	636	-	-
Trade and other payables	31	16,275	17,141	9,943	10,178
Derivative financial liabilities	33	-	23	-	-
Other financial liabilities, current	28	34,597	55,311	-	-
Lease liabilities, current	29	881	1,361	47	37
Other non-financial liabilities	32	5,359	3,189	3	-
Total current liabilities		59,122	79,524	9,998	10,220
Total liabilities		151,397	167,992	10,099	10,376
Total equity and liabilities		224,865	238,979	40,479	39,719

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

<u>Group:</u>	Total equity \$'000	Attributable to parent subtotal \$'000	Share capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Non-controlling interests \$'000
Current year:						
Opening balance at 1 January 2020	70,987	68,963	26,930	43,549	(1,516)	2,024
Changes in equity:						
Total comprehensive income for the year	5,850	5,575	-	5,260	315	275
Dividends paid (Note 14)	(3,229)	(3,229)	-	(3,229)	-	-
Dividends paid to non-controlling interests in subsidiaries	(140)	-	-	-	-	(140)
Closing balance at 31 December 2020	73,468	71,309	26,930	45,580	(1,201)	2,159
Previous year:						
Opening balance at 1 January 2019	65,893	63,712	26,930	37,768	(986)	2,181
Changes in equity:						
Total comprehensive income (loss) for the year	9,475	9,557	-	10,087	(530)	(82)
Dividends paid (Note 14)	(4,306)	(4,306)	-	(4,306)	-	-
Dividends paid to non-controlling interests in subsidiaries	(75)	-	-	-	-	(75)
Closing balance at 31 December 2019	70,987	68,963	26,930	43,549	(1,516)	2,024
Company:						
			Total equity \$'000	Share capital \$'000	Retained earnings \$'000	
Current year:						
Opening balance at 1 January 2020			29,343	26,930	2,413	
Changes in equity:						
Total comprehensive income for the year			4,266	-	4,266	
Dividends paid (Note 14)			(3,229)	-	(3,229)	
Closing balance at 31 December 2020			30,380	26,930	3,450	
Previous year:						
Opening balance at 1 January 2019			29,183	26,930	2,253	
Changes in equity:						
Total comprehensive income for the year			4,466	-	4,466	
Dividends paid (Note 14)			(4,306)	-	(4,306)	
Closing balance at 31 December 2019			29,343	26,930	2,413	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	2020 \$'000	2019 \$'000
<u>Cash flows from operating activities</u>		
Profit before income tax	6,260	11,574
Adjustments for:		
Interest expense on borrowings	2,937	4,167
Interest expense on lease liabilities	324	368
Interest income	(105)	(96)
Covid-19 related rent concessions from lessors	(74)	-
Depreciation of property, plant and equipment	4,739	4,870
Depreciation of right-of-use assets	2,490	2,833
Depreciation of investment property	19	18
(Gain) loss on disposal of plant and equipment	(1)	43
Fair value losses (gains) on other financial assets, net	110	(99)
Share of profit from an equity-accounted associate	(1,775)	(4,007)
Share of profit from equity-accounted joint ventures	(68)	(118)
Net effect of exchange rate changes in consolidating subsidiaries	23	2
Operating cash flows before changes in working capital	14,879	19,555
Inventories	3,240	3,014
Trade and other receivables	1,871	3,877
Other non-financial assets	98	1,198
Provision	89	(255)
Trade and other payables	(89)	(3,730)
Derivative financial assets / liabilities	(32)	(12)
Other non-financial liabilities	2,170	674
Net cash flows from operations	22,226	24,321
Income taxes paid	(1,115)	(1,846)
Net cash flows from operating activities	21,111	22,475
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(2,264)	(1,033)
Proceeds from disposal of plant and equipment	25	69
Refund of land premium (Note 15)	1,846	-
Net movements in amount due from an associate	-	1,379
Net movements in amount due from joint ventures	389	(2,081)
Dividend income from an associate	1,410	700
Dividend income from joint ventures	28	25
Interest income received	22	506
Net cash flows from (used in) investing activities	1,456	(435)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	2020 \$'000	2019 \$'000
Cash flows from financing activities		
Dividends paid to equity owners	(3,229)	(4,306)
Dividends paid to non-controlling interests	(140)	(75)
Net movements in amounts due to a director cum a shareholder	(331)	53
Net movements in amounts due to a shareholder	(499)	-
Lease liabilities – principal portion paid	(1,608)	(2,328)
Decrease in trust receipts and bills payable	(5,463)	(9,657)
Increase from new borrowings	10,000	7,900
Decrease in other financial liabilities	(20,668)	(7,907)
Interest expense paid	(2,988)	(4,201)
Net cash flows used in financing activities	<u>(24,926)</u>	<u>(20,521)</u>
Net (decrease) increase in cash and cash equivalents	(2,359)	1,519
Net effect of exchange rate changes on cash and cash equivalents	11	(23)
Cash and cash equivalents, beginning balance	<u>7,559</u>	<u>6,063</u>
Cash and cash equivalents, ending balance (Note 25)	<u>5,211</u>	<u>7,559</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. General

Hafary Holdings Limited (the "company") is incorporated in Singapore with limited liability. It is listed on the Main Board of Singapore Exchange Securities Trading Limited.

The financial statements are presented in Singapore Dollar and they cover the company and its subsidiaries (the "group"). All financial information have been rounded to the nearest thousand ("\$'000"), except when otherwise indicated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 18 below.

The registered office and principal place of business of the company is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836.

Covid-19 related disclosures

The Covid-19 pandemic:

The Covid-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The group's significant operations are in Singapore, People's Republic of China and Socialist Republic of Vietnam, all of which have been affected by the spread of Covid-19 in 2020.

Set out below is the impact of Covid-19 on the group's financial performance reflected in this set of financial statements for the reporting year ended 31 December 2020:

- i. The group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- ii. In 2020, border closures, production stoppages and workplace closures have resulted in periods where the group's operations were temporarily suspended to adhere to the respective governments' movement control measures. These have negatively impacted business operations and volume in 2020, resulting in a negative impact on the group's financial performance for 2020.
- iii. In 2020, the group received but also gave Covid-19 related rent concessions as a lessee and as a lessor. The effects of such rent concessions are disclosed in Note 7.
- iv. The group has considered the market conditions (including the impact of Covid-19) as at the end of the reporting year, in making estimates and judgements on the recoverability of assets as at 31 December 2020. The significant estimates and judgement applied are disclosed in Note 2.

As the global Covid-19 situation remains very fluid. As at the date these financial statements were authorised for issuance, the group cannot reasonably ascertain the full extent of the probable impact of the Covid-19 disruptions on its operating and financial performance for the reporting year ending 31 December 2021. If the situation persists beyond management's current expectations, the group's assets may be subject to further impairment losses in the subsequent reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. General (cont'd)

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2C below, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, and modifications), net of any related taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient, the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Distinct goods or services created over time – Revenue from installation service is recognised over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method, the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred relative to the total expected inputs to the satisfaction of that performance obligation.

Rental income – Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss, the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign currency transactions

The functional currency is the Singapore Dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expenses items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting group controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. There were no business combinations during the reporting year.

Associate

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associate (cont'd)

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying amount of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

Joint arrangements – joint ventures

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement.

The reporting interests in joint ventures are recognised using the equity method in accordance with financial reporting standard on investments in associates and joint ventures (as described above for associates).

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets (or, for leasehold improvements and certain leased assets, the shorter lease term). The annual rates of depreciation are as follows:

Leasehold properties	-	Over the terms of leases from 2% to 8%
Plant and equipment	-	10% to 33%
Motor vehicles	-	20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Cost also includes acquisition cost any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Right-of-use assets and land use rights

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised on a straight-line basis over the remaining lease terms.

The annual rates of depreciation are as follows:

Leasehold land	-	Over the terms of leases from 2.1% to 7.1%
Premises	-	Over the terms of leases from 30.0% to 50.0%

Investment property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once in three years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The estimated useful life of freehold building is 20 years. Freehold land has unlimited useful life and therefore is not depreciated.

Leases of lessee

Where a lease arrangement is identified, a liability to the lessor is recognised as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability. Finance charges are recorded as an expense. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases with a term of 12 months or less and leases for low value are not recorded as a liability and lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases of lessor

For a lessor each of lease is classified as either an operating lease or a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Inventories

Inventories are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Carrying amount of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Recognition and derecognition of financial instruments (cont'd):

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss ("FVTPL"): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss ("FVTPL") in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include bank and cash balances, on demand deposits and any highly liquid debt asset instruments purchased with an original maturity of three months or less. For the consolidated statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying amounts of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

In making the fair value measurement for a non-financial asset, management determines the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segments performance and deciding how to allocate resources to operating segments.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Assessment of expected credit loss allowance on trade receivables:

The allowance for expected credit losses ("ECL") assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. 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 (including the impact of the Covid-19 pandemic). 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 impairment allowance on inventories:

The allowance for impairment of inventories assessment 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 (including the impact of the Covid-19 pandemic). 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

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.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) related party relationships, transactions and outstanding balances, including commitments, including (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a group

<u>Name</u>	<u>Relationship</u>	<u>Country of incorporation</u>
Gek Poh (Holdings) Sdn. Bhd.	Ultimate parent company	Malaysia
Hap Seng Consolidated Berhad	Intermediate parent company	Malaysia
Hap Seng Investment Holdings Pte. Ltd.	Immediate parent company	Singapore

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

3B. Related party transactions

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Related party relationships and transactions (cont'd)

3B. Related party transactions (cont'd)

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

	Group	
	2020	2019
	\$'000	\$'000
<u>Associate:</u>		
Interest income (Note 6)	-	(61)
<u>Joint ventures:</u>		
Sale of goods	(983)	(573)
Rental income	(381)	(431)
Interest income (Note 6)	(99)	(30)
Purchases of goods	4,251	3,863
Disposal of plant and equipment	-	13
Receiving of services	840	1,423
<u>Directors:</u>		
Sale of goods	(377)	(89)
<u>Other related parties:</u>		
Sale of goods	(36)	(634)
Rental income	(184)	(182)
Miscellaneous income (Note 7)	(108)	-
Purchases of goods	2,834	6,465
Rental expenses	4	32

3C. Key management compensation

	Group	
	2020	2019
	\$'000	\$'000
Salaries and other short-term employee benefits	1,773	2,167

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

	Group	
	2020	2019
	\$'000	\$'000
Remuneration of director of the company	421	667
Fees to directors of the company	229	231
Fee to a director of a subsidiary of the company	25	-

Further information about the remuneration of individual directors is provided in the Corporate Governance Statement included in the annual report of the company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Related party relationships and transactions (cont'd)

3C. Key management compensation (cont'd)

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Key management compensation comprised those of directors and other key management personnel totalling 15 (2019: 14) persons. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related companies in their capacity as directors and or executives of those companies.

3D. Other receivables from and other payables to related parties

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

The movements in other receivables from and other payables to related parties are as follows:

	Group	
	2020	2019
	\$'000	\$'000
<u>Joint ventures:</u>		
Balance at beginning of the year	3,862	1,667
Loan to a joint venture	-	2,069
Interest income (Note 6)	99	30
Amounts paid out and settlement of liabilities on behalf of the joint ventures	1,330	1,503
Amounts paid in and settlement of liabilities on behalf of the group	(1,710)	(1,358)
Foreign exchange adjustments losses	(66)	(49)
Balance at end of the year	<u>3,515</u>	<u>3,862</u>

Presented in the statement of financial position as follows:

Other receivable (Note 23)	3,610	3,862
Other payable (Note 31)	(95)	-
	<u>3,515</u>	<u>3,862</u>

	Group	
	2020	2019
	\$'000	\$'000
<u>Other receivable from other related party:</u>		
Balance at beginning of the year	9	41
Amounts paid out and settlement of liabilities on behalf of the other related party	141	238
Amounts paid in and settlement of liabilities on behalf of the group	(135)	(270)
Balance at end of the year (Note 23)	<u>15</u>	<u>9</u>

	Group	
	2020	2019
	\$'000	\$'000
<u>Other payable to a director cum a shareholder:</u>		
Balance at beginning of the year	(2,792)	(2,739)
Amounts paid out and settlement of liabilities on behalf of the director	380	-
Amounts paid in and settlement of liabilities on behalf of the group	(49)	(53)
Balance at end of the year (Note 31)	<u>(2,461)</u>	<u>(2,792)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties (cont'd)

	Group	
	2020	2019
	\$'000	\$'000
<u>Other payable to a shareholder:</u>		
Balance at beginning of the year	(2,718)	(2,718)
Amounts paid out and settlement of liabilities on behalf of the shareholder	499	-
Balance at end of the year (Note 31)	<u>(2,219)</u>	<u>(2,718)</u>
	Company	
	2020	2019
	\$'000	\$'000
<u>Subsidiaries:</u>		
Balance at beginning of the year	18,782	19,145
Amounts paid in and settlement of liabilities on behalf of the company	(3,079)	(4,669)
Dividend income	4,306	4,306
Balance at end of the year	<u>20,009</u>	<u>18,782</u>
Presented in the statement of financial position as follows:		
Other receivables (Note 23)	29,409	28,182
Other payables (Note 31)	<u>(9,400)</u>	<u>(9,400)</u>
	<u>20,009</u>	<u>18,782</u>

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

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

- General segment includes retail "walk-in" customers who purchase their requirements from the showrooms or customers (such as architecture, interior design and renovation firms) who make ad-hoc purchases for home renovation or small property development. The quantities purchased are typically small.
- Project segment includes customers who are usually involved in major property development projects, 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").

4B. 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
<u>2020:</u>					
Total revenue by segment	70,595	41,330	9,652	46	121,623
Inter-segment sales	(16,742)	(14,268)	(6,298)	-	(37,308)
Total revenue	<u>53,853</u>	<u>27,062</u>	<u>3,354</u>	<u>46</u>	<u>84,315</u>
Recurring EBITDA	11,036	878	2,966	46	14,926
Amortisation and depreciation expense	(5,383)	(1,098)	(767)	-	(7,248)
Finance costs	(2,397)	(322)	(542)	-	(3,261)
Share of profit from an equity-accounted associate	-	-	1,775	-	1,775
Share of profit from equity-accounted joint ventures	-	-	68	-	68
ORBIT	<u>3,256</u>	<u>(542)</u>	<u>3,500</u>	<u>46</u>	<u>6,260</u>
Income tax expense					(725)
Profit, net of tax					<u>5,535</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

4B. Profit or loss from continuing operations and reconciliations (cont'd)

	General \$'000	Project \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<u>2019:</u>					
Total revenue by segment	81,913	61,360	9,589	43	152,905
Inter-segment sales	(20,324)	(17,844)	(6,297)	-	(44,465)
Total revenue	<u>61,589</u>	<u>43,516</u>	<u>3,292</u>	<u>43</u>	<u>108,440</u>
Recurring EBITDA	14,232	2,605	2,825	43	19,705
Amortisation and depreciation expense	(5,632)	(1,341)	(748)	-	(7,721)
Finance costs	(3,521)	(340)	(674)	-	(4,535)
Share of profit from an equity-accounted associate	-	-	4,007	-	4,007
Share of profit from equity-accounted joint ventures	-	-	118	-	118
ORBIT	<u>5,079</u>	<u>924</u>	<u>5,528</u>	<u>43</u>	<u>11,574</u>
Income tax expense					(1,569)
Profit, net of tax					<u>10,005</u>

4C. Assets, liabilities and reconciliations

	General \$'000	Project \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<u>2020:</u>					
Segment assets	<u>138,421</u>	<u>63,845</u>	<u>22,599</u>	<u>-</u>	<u>224,865</u>
Segment liabilities	<u>103,966</u>	<u>42,095</u>	<u>3,387</u>	<u>-</u>	<u>149,448</u>
Deferred tax liabilities					664
Income tax payable					1,285
Total liabilities					<u>151,397</u>
<u>2019:</u>					
Segment assets	<u>150,429</u>	<u>66,217</u>	<u>22,333</u>	<u>-</u>	<u>238,979</u>
Segment liabilities	<u>116,527</u>	<u>46,404</u>	<u>2,722</u>	<u>-</u>	<u>165,653</u>
Deferred tax liabilities					476
Income tax payable					1,863
Total liabilities					<u>167,992</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

4D. Other material items and reconciliations

	General \$'000	Project \$'000	Others \$'000	Unallocated \$'000	Group \$'000
Impairment of assets:					
2020	3,403	1,001	-	-	4,404
2019	1,414	71	-	-	1,485
Expenditure for non-current assets:					
2020	2,149	115	-	-	2,264
2019	863	170	-	-	1,033

4E. Geographical information

	Revenue		Non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore	76,030	101,085	106,429	112,855
People's Republic of China	591	596	10,781	10,870
Socialist Republic of Vietnam	-	24	15,753	15,620
Republic of the Union of Myanmar	1,285	1,378	-	-
Republic of Indonesia	152	467	-	-
Cambodia	5,337	1,604	-	-
Malaysia	167	625	-	-
Maldives	481	1,154	-	-
Others	272	1,507	-	-
	84,315	108,440	132,963	139,345

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.

4F. Information about major customers

There was no customer with sale transactions over 10% of the group's revenue during the current and previous reporting years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

5. Revenue

A. Revenue classified by type of good or service

	Group	
	2020	2019
	\$'000	\$'000
Sale of goods	77,441	101,744
Revenue from installation services	3,409	3,361
Rental income (Note 35)	3,339	3,277
Other income	126	58
Total revenue	84,315	108,440

B. Revenue classified by duration of contract

	Group	
	2020	2019
	\$'000	\$'000
Short-term contracts	80,906	105,079
Long-term contracts	3,409	3,361
Total revenue	84,315	108,440

C. Revenue classified by timing of revenue recognition

	Group	
	2020	2019
	\$'000	\$'000
Point in time	80,906	105,079
Over time	3,409	3,361
Total revenue	84,315	108,440

6. Interest income

	Group	
	2020	2019
	\$'000	\$'000
Interest income from an associate (Note 3)	-	61
Interest income from joint ventures (Note 3)	99	30
Other interest income	6	5
Total interest income	105	96

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

7. Other gains and (other losses)

	Group	
	2020 \$'000	2019 \$'000
Fair value gains on derivative financial instruments, net (Note 33)	32	12
Fair value (losses) gains on other financial assets, net (Note 21)	(110)	99
Foreign exchange adjustment (losses) gains, net	(457)	51
Gain (loss) on disposal of plant and equipment	1	(43)
Jobs Support Scheme grants (Note 23) ^(a)	2,324	-
Foreign Worker Levy rebates	571	-
Other government grants income	118	40
Insurance compensation	32	54
Other compensation (losses) income	(8)	27
Miscellaneous income from other related party (Note 3)	108	-
Others	-	(18)
Subtotal	<u>2,611</u>	<u>222</u>
Rent concessions received from lessor	74	-
Property tax rebates and cash grant income ^(b)	791	-
Property tax rebates and cash grant expense ^(c)	(368)	-
Subtotal	<u>497</u>	<u>-</u>
Net	<u>3,108</u>	<u>222</u>
Presented in profit or loss as:		
Other gains	3,683	283
Other losses	(575)	(61)
	<u>3,108</u>	<u>222</u>

(a) The purpose of the Jobs Support Scheme is to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid Covid-19 for 17 months from April 2020 to August 2021.

(b) Property tax rebates and cash grant received from the Singapore Government to help businesses deal with the impact from Covid-19. For the property tax rebates, the group is obliged to pass on the benefits to its tenants and has transferred these to the tenants in the form of rent rebates during the current reporting year. For the cash grant, the group is obliged to waive up to two and four months of rental to eligible tenants in other non-residential properties and qualifying commercial properties respectively.

(c) Property tax rebates and cash grant received from the Singapore Government that were transferred to tenants in the form of rent rebates during the year and rental waivers provided to eligible tenants as part of the qualifying conditions of the cash grant under Rental Relief Framework.

8. Employee benefits expense

	Group	
	2020 \$'000	2019 \$'000
Salaries, bonuses and other short-term benefits	14,271	17,007
Contributions to defined contribution plan	1,892	2,899
Total employee benefits expense	<u>16,163</u>	<u>19,906</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

9. Impairment losses

	Group	
	2020	2019
	\$'000	\$'000
Allowance for impairment of inventories (Note 22)	4,068	1,012
Allowance for impairment of trade receivables:		
– Individually impaired (Note 23)	317	419
– Collectively impaired (Note 23)	28	29
Bad debts recovered – trade receivables	(20)	(9)
Bad debts written-off – trade receivables	–	10
Bad debts written-off – other receivables	11	24
Total impairment losses	4,404	1,485

10. Finance costs

	Group	
	2020	2019
	\$'000	\$'000
Interest expense on:		
– Bank loans	2,572	3,507
– Bill payables	365	660
– Lease liabilities	324	368
Total finance costs	3,261	4,535

11. Other expenses

The major components include the following:

	Group	
	2020	2019
	\$'000	\$'000
Commission	753	909
Hire of vehicles and machineries	346	350
Expense relating to short-term leases (Note 29)	536	175
Upkeep of motor vehicles	540	674

The following profit or loss items are included in other expenses:

	Group	
	2020	2019
	\$'000	\$'000
Audit fees paid to:		
– Independent auditors of the company	197	204
– Other independent auditors	47	40
Non-audit fees paid to:		
– Independent auditors of the company	36	36
– Other independent auditors	8	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

12. Income tax

12A. Components of tax expense recognised in profit or loss

	Group	
	2020	2019
	\$'000	\$'000
<u>Current tax expense:</u>		
Current tax expense	586	1,718
Over adjustments in respect of prior years	(49)	(52)
Subtotal	<u>537</u>	<u>1,666</u>
<u>Deferred tax expense (income):</u>		
Deferred tax expense (income)	135	(115)
Under adjustments in respect of prior years	53	18
Subtotal	<u>188</u>	<u>(97)</u>
Total income tax expense	<u>725</u>	<u>1,569</u>

The reconciliation of income taxes below is determined by applying Singapore corporate tax rate. The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2019: 17%) to profit before income tax as a result of the following differences:

	Group	
	2020	2019
	\$'000	\$'000
Profit before income tax	6,260	11,574
Less:		
- Share of profit from an equity-accounted associate	(1,775)	(4,007)
- Share of profit from equity-accounted joint ventures	(68)	(118)
	<u>4,417</u>	<u>7,449</u>
Income tax expense at the above rate	751	1,266
Effect of different tax rates in different countries	14	9
Expenses not deductible for tax purposes	65	457
Tax exemption and rebates	(109)	(129)
Under (over) adjustments to tax in respect of prior years	4	(34)
Total income tax expense	<u>725</u>	<u>1,569</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

12. Income tax (cont'd)

12B. Deferred tax expense (income) recognised in profit or loss

	Group	
	2020	2019
	\$'000	\$'000
Excess of net carrying amounts over tax values of property, plant and equipment	53	25
Provision	(15)	43
Deferred tax on inventories for unrealised profit	(4)	5
Tax loss carryforwards	149	(165)
Others	5	(5)
Total deferred tax expense (income)	188	(97)

12C. Deferred tax balance in the statement of financial position

	Group	
	2020	2019
	\$'000	\$'000
Excess of net carrying amounts over tax values of property, plant and equipment	1,027	974
Provision	(123)	(108)
Deferred tax on inventories for unrealised profit	(224)	(220)
Tax loss carryforwards	(16)	(165)
Others	-	(5)
Total deferred tax liabilities	664	476

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

13. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2020	2019
	\$'000	\$'000
Profit, net of tax attributable to owners of the parent	5,260	10,087
	Number of shares	
	2020	2019
	'000	'000
Weighted average number of equity shares:		
Basic	430,550	430,550

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

Basic earnings per share 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.

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective reporting years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

14. Dividends on equity shares

	Group and Company	
	2020	2019
	\$'000	\$'000
Final tax exempt (1-tier) dividends paid of 0.50 cent (2019: 0.50 cent) per share	2,153	2,153
First interim tax exempt (1-tier) dividends paid of 0.25 cent (2019: 0.50 cent) per share	1,076	2,153
Total dividends paid during the year	3,229	4,306

In respect of the current reporting year, the directors have proposed that a final dividend of 0.75 cent per share with a total of \$3,229,000 be paid to shareholders after the annual general meeting to be held in future. There are no income tax consequences on the company. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

15. Property, plant and equipment

Group	Leasehold properties \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<u>Cost:</u>				
At 1 January 2019	86,164	11,609	4,144	101,917
Additions	-	668	365	1,033
Disposals	-	(358)	(429)	(787)
Foreign exchange adjustments	(139)	(22)	(2)	(163)
At 31 December 2019	86,025	11,897	4,078	102,000
Additions	-	2,171	93	2,264
Disposals	-	(25)	(129)	(154)
Refund of land premium #a	(1,846)	-	-	(1,846)
Foreign exchange adjustments	245	36	2	283
At 31 December 2020	84,424	14,079	4,044	102,547
<u>Accumulated depreciation:</u>				
At 1 January 2019	12,054	6,561	2,595	21,210
Depreciation for the year	3,215	1,106	549	4,870
Disposals	-	(296)	(379)	(675)
Foreign exchange adjustments	(29)	(5)	(2)	(36)
At 31 December 2019	15,240	7,366	2,763	25,369
Depreciation for the year	3,146	1,113	480	4,739
Disposals	-	(25)	(105)	(130)
Foreign exchange adjustments	55	11	2	68
At 31 December 2020	18,441	8,465	3,140	30,046
<u>Carrying amount:</u>				
At 1 January 2019	74,110	5,048	1,549	80,707
At 31 December 2019	70,785	4,531	1,315	76,631
At 31 December 2020	65,983	5,614	904	72,501

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

15. Property, plant and equipment (cont'd)

<u>Company</u>	<u>Plant and equipment \$'000</u>	<u>Motor vehicles \$'000</u>	<u>Total \$'000</u>
<u>Cost:</u>			
At 1 January 2019, 31 December 2019 and 31 December 2020	2	470	472
<u>Accumulated depreciation:</u>			
At 1 January 2019	2	16	18
Depreciation for the year	-	94	94
At 31 December 2019	2	110	112
Depreciation for the year	-	92	92
At 31 December 2020	2	202	204
<u>Carrying amount:</u>			
At 1 January 2019	-	454	454
At 31 December 2019	-	360	360
At 31 December 2020	-	268	268

As at the end of the reporting year, the group's leasehold properties with carrying amount of \$62,008,000 (2019: \$66,794,000) are mortgaged for bank facilities (Note 28).

Certain motor vehicles are under lease liabilities (Note 29).

*a During the reporting year, the group received an amount of \$1,846,000 from the Singapore Land Authority paid as land premium for 18 Sungei Kadut Street 2, Singapore in prior years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. Right-of-use assets

<u>Group</u>	<u>Leasehold land \$'000</u>	<u>Premises \$'000</u>	<u>Total \$'000</u>
<u>Cost:</u>			
At 1 January 2019	49,296	3,641	52,937
Additions	-	839	839
Remeasurement	-	(59)	(59)
Foreign exchange adjustments	(127)	-	(127)
At 31 December 2019	49,169	4,421	53,590
Remeasurement	(70)	-	(70)
Foreign exchange adjustments	222	-	222
At 31 December 2020	49,321	4,421	53,742
<u>Accumulated depreciation:</u>			
At 1 January 2019	8,697	1,835	10,532
Depreciation for the year	1,683	1,150	2,833
Foreign exchange adjustments	(19)	-	(19)
At 31 December 2019	10,361	2,985	13,346
Depreciation for the year	1,682	808	2,490
Remeasurement	7	-	7
Foreign exchange adjustments	36	-	36
At 31 December 2020	12,086	3,793	15,879
<u>Carrying amount:</u>			
At 1 January 2019	40,599	1,806	42,405
At 31 December 2019	38,808	1,436	40,244
At 31 December 2020	37,235	628	37,863

As at the end of the reporting year, the group's land use rights with carrying amount of \$24,285,000 (2019: \$25,355,000) are mortgaged for bank facilities (Note 28). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. Right-of-use assets (cont'd)

The above table includes land use rights. The details are as follows:

<u>Group</u>	<u>Land use rights \$'000</u>
<u>Cost:</u>	
At 1 January 2019	36,264
Foreign exchange adjustments	(127)
At 31 December 2019	36,137
Foreign exchange adjustments	222
At 31 December 2020	36,359
<u>Accumulated amortisation:</u>	
At 1 January 2019	5,714
Amortisation for the year	1,198
Foreign exchange adjustments	(19)
At 31 December 2019	6,893
Amortisation for the year	1,200
Foreign exchange adjustments	36
At 31 December 2020	8,129
<u>Carrying amount:</u>	
At 1 January 2019	30,550
At 31 December 2019	29,244
At 31 December 2020	28,230

As at the end of the reporting year, other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	<u>Leasehold land</u>	<u>Premises</u>
Number of right-of-use assets	6	3
Remaining term – range (years)	4.0 to 38.2	0.3 to 2.0
Remaining term – average (years)	19.6	1.2
Weighted average incremental borrowing rate applied to lease liabilities – 2020	3%	3%
Weighted average incremental borrowing rate applied to lease liabilities – 2019	3%	3%

Leasehold land

The group has made upfront payments for five 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

17. Investment property

<u>Group</u>	<u>Freehold land \$'000</u>	<u>Freehold building \$'000</u>	<u>Total \$'000</u>
<u>Cost:</u>			
At 1 January 2019, 31 December 2019 and 31 December 2020	3,906	370	4,276
<u>Accumulated depreciation:</u>			
At 1 January 2019	-	48	48
Depreciation for the year	-	18	18
At 31 December 2019	-	66	66
Depreciation for the year	-	19	19
At 31 December 2020	-	85	85
<u>Carrying amount:</u>			
At 1 January 2019	3,906	322	4,228
At 31 December 2019	3,906	304	4,210
At 31 December 2020	3,906	285	4,191
		Group	
		2020	2019
		\$'000	\$'000
Fair value at end of the year for disclosure purposes only		4,800	4,800
Rental income from investment property		118	115
Direct operating expenses (including repairs and maintenance) arising from investment property		(15)	(12)

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

The investment property is leased out under operating lease. Also see Note 35 on operating lease income commitments. The management has not entered into contractual obligations for the maintenance or enhancement of the investment properties.

The investment property is mortgaged as security for the bank facilities (Note 28).

For fair value disclosure categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Two-storey shophouse
Location:	532 Balestier Road, Singapore 329859
Tenure:	Freehold
Fair value:	\$4,800,000 (2019: \$4,800,000)
Fair value hierarchy:	Level 3 (2019: Level 3)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter \$18,794 (2019: \$18,794)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by \$480,000; higher by \$480,000 (2019: Impact – lower by \$480,000; higher by \$480,000)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

17. Investment property (cont'd)

The fair value of the investment property was measured by PREMAS Valuers & Property Consultants Pte. Ltd., a firm of independent professional valuers, in February 2020 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The firm hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. The management is of the opinion that the fair value of the investment property as at 31 December 2020 approximates the fair value determined by the valuer as at 31 December 2019.

Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to the market participants principally through its use in combination with other assets.

18. Investments in subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares at cost	9,239	9,239

The listing of and information on the subsidiaries are given as below:

Name of subsidiaries, country of incorporation, <u>place of operations and principal activities</u>	Cost		Effective equity held	
	2020 \$'000	2019 \$'000	2020 %	2019 %
Hafary Pte Ltd Singapore Importer and dealer of building materials	9,239	9,239	100	100
<u>Held through Hafary Pte Ltd:</u>				
Surface Project Pte. Ltd. Singapore Distribution and wholesale of building materials			70	70
Surface Stone Pte. Ltd. Singapore Dealer of stones for home furnishing			90	90
Wood Culture Pte. Ltd. Singapore Dealer of wood for home furnishing			100	100
Hafary Centre Pte. Ltd. Singapore Investment holding			100	100
Hafary Vietnam Pte. Ltd. Singapore Investment holding			100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

18. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given as below (cont'd):

Name of subsidiaries, country of incorporation, <u>place of operations and principal activities</u>	Effective equity held	
	2020	2019
	%	%
<u>Held through Hafary Pte Ltd (cont'd):</u>		
Hafary International Pte. Ltd. Singapore Importing and distribution of building materials	100	100
Hafary Trademarks Pte. Ltd. Singapore Intellectual property holding and management	100	100
Marble Trends Pte. Ltd. Singapore Dealer of stones for home furnishing	100	100
World Furnishing Hub Pte. Ltd. #a #b Singapore Investment holding	46	46
Hafary Balestier Showroom Pte. Ltd. Singapore Investment holding	51	51
Gres Universal Pte. Ltd. Singapore Distribution and wholesale of building materials	56	56
Hafary Building Materials Pte. Ltd. Singapore Investment holding	100	100
Hafary W+S Pte. Ltd. Singapore Storage and warehousing of furniture and related products	100	100
Hafary Trading Sdn. Bhd. Malaysia (Incorporated on 28 September 2020) Trading and distribution of building materials	100	-
<u>Held through Hafary International Pte. Ltd.:</u>		
Foshan Hafary Trading Co., Limited People's Republic of China Importing, exporting and distribution of building materials	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

18. Investments in subsidiaries (cont'd)

All the subsidiaries are audited by RSM Chio Lim LLP, a member firm of RSM International except for: (1) Foshan Hafary Trading Co., Limited is audited by SBA Stone Forest Shanghai Certified Public Accountants (Partnership), an affiliated firm of RSM Chio Lim LLP; and (2) Hafary Trading Sdn. Bhd. which the unaudited management financial statements at 31 December 2020 have been used for consolidation as the subsidiary is not material.

^a Management considers World Furnishing Hub Pte. Ltd. ("WFH") as a subsidiary as the group has management control over WFH through its indirect interest in WFH, via a director and a substantial shareholder, and the group is exposed, or has rights, to variable returns from its involvement with WFH and has the ability to affect those returns through its power over WFH.

^b In December 2013, a put and call option deed was entered between Hafary Pte Ltd ("HPL") and two other shareholders of WFH (collectively the "promoters"), and a non-controlling interest ("NCI") who holds 10% shareholdings in WFH. In accordance with the terms and conditions stated in the deed, option is granted to the NCI to require the promoters to purchase the NCI's shareholdings in WFH and vice versa. On 24 March 2021, HPL had entered into a sale and purchase agreement with NCI in relation to the acquisition of the NCI's entire stake in WFH which comprises 10% of the issued share capital in WFH. In connection therewith, NCI and HPL, together with the rest of the promoters, have also entered into a deed of termination and settlement on 24 March 2021 relating to certain prior agreements entered into by, inter alia, NCI and HPL, which will take effect on the date of the completion of the acquisition. Further details of the acquisition is disclosed in Note 39.

The carrying amounts of non-controlling interests are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Surface Project Pte. Ltd.	4,274	4,115
World Furnishing Hub Pte. Ltd.	(2,286)	(2,817)
Other subsidiaries with immaterial non-controlling interests	171	726
Total	<u>2,159</u>	<u>2,024</u>

Below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. These are presented before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Revenue	12,565	16,404	4,283	4,119
Profit (loss) before income tax	670	1,093	411	(484)
Income tax income (expense)	18	(126)	(263)	(92)
Profit (loss), net of tax	<u>688</u>	<u>967</u>	<u>148</u>	<u>(576)</u>
Total comprehensive income (loss)	<u>688</u>	<u>967</u>	<u>148</u>	<u>(576)</u>
Total comprehensive income (loss) allocated to non-controlling interests	<u>206</u>	<u>290</u>	<u>80</u>	<u>(311)</u>
Dividends paid to non-controlling interests	<u>98</u>	<u>51</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

18. Investments in subsidiaries (cont'd)

Summarised statement of financial position:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Current</u>				
Assets	16,017	15,357	260	235
Liabilities	(2,175)	(2,015)	(7,904)	(12,973)
Total current net assets (liabilities)	13,842	13,342	(7,644)	(12,738)
<u>Non-current</u>				
Assets	586	592	51,929	56,102
Liabilities	(185)	(51)	(48,425)	(47,652)
Total non-current net assets	401	541	3,504	8,450
Net assets (liabilities)	14,243	13,883	(4,140)	(4,288)

Summarised statement of cash flows:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net cash flows (used in) from operating activities	(65)	394	3,277	3,599
Net cash flows from (used in) investing activities	73	(107)	1,785	(31)
Net cash flows used in financing activities	(413)	(334)	(5,044)	(3,541)

19. Investment in an associate

	Group	
	2020 \$'000	2019 \$'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends received	12,934	12,801
Carrying amount	15,753	15,620
Movements in carrying amount:		
At beginning of the year	15,620	12,480
Share of profit for the year	1,775	4,007
Dividends	(1,410)	(700)
Foreign exchange adjustments	(232)	(167)
At end of the year	15,753	15,620

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

19. Investment in an associate (cont'd)

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
2020 **2019**
% **%**

Viet Ceramics International Joint Stock Company ("VCI") ^{#a}
Socialist Republic of Vietnam
Importer and dealer of building materials

49 **49**

^{#a} Audited by RSM Vietnam Auditing & Consulting Limited, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

The summarised financial information of the associate and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associate are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Dividends received from the associate	1,410	700
Revenue	46,422	56,942
Profit for the year	3,622	8,178
Non-current assets	3,643	3,280
Current assets	39,410	36,454
Current liabilities	(11,409)	(9,130)

	Group	
	2020	2019
	\$'000	\$'000

Reconciliation:

Net assets of the associate

31,644 30,604

Proportion of the group's interest in the associate

15,506 14,996

Goodwill on acquisition

758 758

Intangible assets on acquisition

90 90

Foreign exchange adjustments

(601) (224)

15,753 15,620

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

20. Investments in joint ventures

	Group	
	2020 \$'000	2019 \$'000
Unquoted equity shares at cost	3,195	3,195
Share of post-acquisition losses, net of dividends	(540)	(692)
Carrying amount	<u>2,655</u>	<u>2,503</u>
Movements in carrying amount:		
At beginning of the year	2,503	2,483
Additions	-	-
Share of profits for the year	68	118
Dividends	(28)	(25)
Foreign exchange adjustments	112	(73)
At end of the year	<u>2,655</u>	<u>2,503</u>
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	<u>2,437</u>	<u>2,239</u>

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	
	2020 %	2019 %
Melmer Stoneworks Pte. Ltd. ^{#a} Singapore Cutting, shaping and finishing of stone	50	50
Guangdong ITA Element Building Materials Co., Limited ^{#b} People's Republic of China Production and distribution of tiles	50	50
Hafary Myanmar Investment Pte. Ltd. ^{#a} Singapore Investment holding	33	33

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

^{#b} Audited by SBA Stone Forest Shanghai Certified Public Accountants (Partnership), an affiliated firm of RSM Chio Lim LLP.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

20. Investments in joint ventures (cont'd)

There is a joint venture that is considered material to the reporting entity. The summarised financial information of the joint ventures and the amounts (and not the reporting entity's share of those amounts) based on the financial statements are as follows:

	Group	
	2020	2019
	\$'000	\$'000
<u>Guangdong ITA Element Building Materials Co., Limited</u>		
Revenue	8,728	6,825
(Losses) profits for the year	(100)	43
Non-current assets	387	440
Current assets	9,092	8,367
Non-current liabilities	(2,228)	(2,050)
Current liabilities	(2,609)	(2,135)
<u>Reconciliation:</u>		
Net assets of the joint venture	4,642	4,622
Proportion of the group's interest in the joint venture	2,321	2,311
Foreign exchange adjustments	116	(72)
	2,437	2,239

21. Other financial assets, non-current

	Group and Company	
	2020	2019
	\$'000	\$'000
Quoted equity investment at fair value through profit or loss	412	522
Movements during the year:		
Fair value at beginning of the year	522	423
(Decrease) increase in fair value through profit or loss under other (losses) gains (Note 7)	(110)	99
Fair value at end of the year (Level 1)	412	522

The quoted equity investment is in the retail and distribution industry in Singapore and listed on Singapore Stock Exchange.

The fair value of the financial asset approximates to bid prices in an active market at the end of the reporting year. The financial asset is exposed to price risk of equity shares as disclosed in Note 36H.

There is no investment pledged as security for liabilities.

The quoted equity investment at fair value through profit or loss is considered to have low credit risk, and the loss allowance recognised during the reporting year is limited to 12 months expected losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

22. Inventories

	Group	
	2020 \$'000	2019 \$'000
Goods held for resale	50,938	54,178
Inventories are stated after allowance. Movements in allowance:		
At beginning of the year	6,716	5,704
Charged to profit or loss included in impairment losses (Note 9)	4,068	1,012
At end of the year	10,784	6,716

There are no inventories pledged as security for liabilities.

23. Trade and other receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade receivables:</u>				
Outside parties	23,894	26,149	-	-
Less: Allowance for impairment	(1,807)	(1,595)	-	-
Subsidiaries (Note 3)	-	-	1,117	1,349
Joint venture (Note 3)	261	218	-	-
Other related parties (Note 3)	26	35	-	-
Director (Note 3)	404	28	-	-
Retention receivables on contracts	1,452	1,630	-	-
Subtotal	24,230	26,465	1,117	1,349
<u>Other receivables:</u>				
Outside parties # ^a	742	1,280	1	-
Job Support Scheme grant receivables # ^b	634	-	2	-
Subsidiaries (Note 3)	-	-	29,409	28,182
Joint ventures (Note 3) # ^c	3,610	3,862	-	-
Other related parties (Note 3)	15	9	-	-
Refundable deposits	729	426	-	-
Subtotal	5,730	5,577	29,412	28,182
Total trade and other receivables	29,960	32,042	30,529	29,531
<u>Presented in the statement of financial position:</u>				
Non-current	-	137	-	-
Current	29,960	31,905	30,529	29,531
	29,960	32,042	30,529	29,531
<u>Movements in above allowance on trade receivables:</u>				
At beginning of the year	1,595	1,392	-	-
Additions – individually impaired (Note 9)	317	419	-	-
Additions – collectively impaired (Note 9)	28	29	-	-
Bad debts written-off	(133)	(245)	-	-
At end of the year	1,807	1,595	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

23. Trade and other receivables (cont'd)

- ^a Included in other receivables is an amount of \$471,000 (2019: \$1,103,000) relates to the group entered into a shareholder withdrawal agreement with the shareholder of Investee company to withdraw from the group's investment in the investee company. The full sum invested by the group into the investee company will be repaid within the next 2 years. In view of the above arrangements, the investment in investee company has been reclassified from unquoted investment to other receivables at amortised cost as at 31 December 2018.
- ^b Government grant receivable is of the Jobs Support Scheme ("JSS") funded by the Singapore Government which will be received subsequently after the end of the reporting year. The JSS relates to wage support to employers due to the Covid-19 situation. JSS grant receivable and the corresponding deferred grant income (Note 32) were recognised when the grant conditions are satisfied. Deferred grant income is released over the periods in which the related costs of the JSS grant is intended to compensate. Grant income arising from JSS grant scheme is recognised in profit or loss in the current reporting period on a systematic basis and amounted to \$2,324,000 (Note 7).
- ^c Included in other receivables is a loan to a joint venture amounting to \$2,092,000 (2019: \$2,050,000) which is unsecured, bears interest at 4.0% (2019: 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.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

As the group and company do 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 (Note 36E).

(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.

(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:

- 93% (2019: 95%) of the group's trade receivables from Singapore.
- 7% (2019: 5%) 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 (2019: 60 days). But some customers take a longer period to settle the amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

23. Trade and other receivables (cont'd)

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

	Group	
	2020 \$'000	2019 \$'000
Trade receivables:		
1 to 30 days	3,146	3,603
31 to 60 days	738	1,324
61 to 90 days	688	754
Over 90 days	5,187	6,145
Total	<u>9,759</u>	<u>11,826</u>

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

	Group	
	2020 \$'000	2019 \$'000
Trade receivables:		
Over 90 days	<u>1,588</u>	<u>1,404</u>

The allowance which is disclosed in the Note on trade receivables is based on individual accounts totalling \$1,588,000 (2019: \$1,404,000) of the group that are determined to be impaired at the end of the reporting 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 including the impact of Covid-19 pandemic. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The ageing of the trade receivables is as follows:

Group	Gross amount \$'000	Expected loss rate %	Loss allowance \$'000
<u>2020:</u>			
Current	12,716	0.6	76
1 to 30 days past due	3,146	2.7	85
31 to 60 days past due	738	2.2	16
61 to 90 days past due	688	1.2	8
Over 90 days past due	3,599	0.9	34
Total	<u>20,887</u>	<u>1.0</u>	<u>219</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

23. Trade and other receivables (cont'd)

Expected credit losses (cont'd)

<u>Group</u>	<u>Gross amount \$'000</u>	<u>Expected loss rate %</u>	<u>Loss allowance \$'000</u>
<u>2019:</u>			
Current	13,348	0.6	73
1 to 30 days past due	3,603	0.8	29
31 to 60 days past due	1,324	1.0	13
61 to 90 days past due	754	0.7	5
Over 90 days past due	4,741	1.5	71
Total	<u>23,770</u>	<u>0.8</u>	<u>191</u>

The loss allowance of \$219,000 (2019: \$191,000) for the group is included in the allowance for impairment of receivables amounting to \$1,807,000 as at 31 December 2020 (2019: \$1,595,000). There are no collateral held as security and other credit enhancements for the trade receivables held by the group and company.

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.

24. Other non-financial assets

	<u>Group</u>		<u>Company</u>	
	<u>2020 \$'000</u>	<u>2019 \$'000</u>	<u>2020 \$'000</u>	<u>2019 \$'000</u>
Advance payments to suppliers	4,843	4,673	-	-
Contract assets (Note 24A)	159	462	-	-
Prepayments	113	149	9	7
Deposits to secure services	254	141	-	-
Lease incentive	3	45	-	-
Total other non-financial assets	<u>5,372</u>	<u>5,470</u>	<u>9</u>	<u>7</u>

24A. Contract assets

	<u>Group</u>	
	<u>2020 \$'000</u>	<u>2019 \$'000</u>
Consideration for work completed but not billed	<u>159</u>	<u>462</u>

The movements in contract assets are as follows:

At beginning of the year	462	894
Cost incurred during the year on uncompleted contracts	1,176	984
Transfers to trade receivables	<u>(1,479)</u>	<u>(1,416)</u>
At the end of the year	<u>159</u>	<u>462</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

24. Other non-financial assets (cont'd)

24A. Contract assets (cont'd)

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:

	Group	
	2020	2019
	\$'000	\$'000
Expected to be recognised as revenue within 1 year	<u>159</u>	<u>462</u>

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the goods or service transfers to the customer.

25. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Not restricted in use	<u>5,211</u>	<u>7,559</u>	<u>22</u>	<u>60</u>

The interest earning balances are not significant.

25A. Non-cash transactions

There are no reconciliation amounts for the non-cash changes in investing activities.

25B. Reconciliation of liabilities arising from financing activities

<u>Group</u>	<u>At beginning of the year \$'000</u>	<u>Cash flows \$'000</u>	<u>Non-cash changes \$'000</u>	<u>At end of the year \$'000</u>
<u>2020:</u>				
Long-term borrowings	77,673	4,583	-	82,256
Short-term borrowings	55,311	(20,714)	-	34,597
Lease liabilities	11,680	(1,608) ^(a)	164 ^(b)	10,236
Total liabilities from financing activities	<u>144,664</u>	<u>(17,739)</u>	<u>164</u>	<u>127,089</u>
<u>2019:</u>				
Long-term borrowings	82,761	(5,088)	-	77,673
Short-term borrowings	59,887	(4,576)	-	55,311
Lease liabilities	719	(2,328)	13,289 ^(b)	11,680
Total liabilities from financing activities	<u>143,367</u>	<u>(11,992)</u>	<u>13,289</u>	<u>144,664</u>

^(a) Net of Covid-19 related rent concessions from lessors of \$74,000.

^(b) Interest expense and modification of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

26. Share capital

	Number of shares issued '000	Share capital \$'000
<u>Ordinary shares of no par value:</u>		
Balance at 1 January 2019, 31 December 2019 and 31 December 2020	430,550	26,930

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

Capital management:

In order to maintain its listing on the Singapore Stock Exchange, it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2020 \$'000	2019 \$'000
<u>Net debt:</u>		
All current and non-current borrowings including leases	127,089	144,664
Less: Cash and cash equivalents	(5,211)	(7,559)
Net debt	<u>121,878</u>	<u>137,105</u>
<u>Adjusted capital:</u>		
Total equity	<u>73,468</u>	<u>70,987</u>
Debt-to-adjusted capital ratio	<u>165.9%</u>	<u>193.1%</u>

There was a favourable change with reduction in net debt and improved retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

27. 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.

28. Other financial liabilities

	Group	
	2020	2019
	\$'000	\$'000
<u>Non-current:</u>		
<u>With floating interest rates:</u>		
Bank loan F (secured) (Note 28C)	10,948	11,258
Bank loan H (secured) (Note 28E)	44,869	44,481
Bank loan I (secured) (Note 28F)	9,934	10,196
Bank loan J (secured) (Note 28F)	8,940	9,176
Bank loan K (secured) (Note 28G)	2,517	2,562
Subtotal	<u>77,208</u>	<u>77,673</u>
<u>With fixed interest rates:</u>		
Bank loan M (secured) (Note 28H)	2,638	-
Bank loan N (secured) (Note 28H)	1,920	-
Bank loan O (secured) (Note 28H)	490	-
Subtotal	<u>5,048</u>	<u>-</u>
Non-current, total	<u>82,256</u>	<u>77,673</u>
<u>Current:</u>		
<u>With floating interest rates:</u>		
Bank loan A (secured) (Note 28A)	2,000	8,000
Bank loan B (secured) (Note 28A)	7,000	8,000
Bank loan C (secured) (Note 28A)	2,500	5,500
Bank loan D (secured) (Note 28B)	2,000	1,000
Bank loan E (secured) (Note 28B)	900	2,400
Bank loan F (secured) (Note 28C)	844	824
Bank loan G (secured) (Note 28D)	2,500	7,000
Bank loan H (secured) (Note 28E)	1,500	2,263
Bank loan I (secured) (Note 28F)	1,012	997
Bank loan J (secured) (Note 28F)	911	898
Bank loan K (secured) (Note 28G)	147	135
Bank loan L (secured) (Note 28A)	2,500	2,500
Trust receipts and bills payable (Note 28I)	10,331	15,794
Subtotal	<u>34,145</u>	<u>55,311</u>
<u>With fixed interest rates:</u>		
Bank loan M (secured) (Note 28H)	362	-
Bank loan N (secured) (Note 28H)	80	-
Bank loan O (secured) (Note 28H)	10	-
Subtotal	<u>452</u>	<u>-</u>
Current, total	<u>34,597</u>	<u>55,311</u>
Total	<u>116,853</u>	<u>132,984</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

28. Other financial liabilities (cont'd)

	Group	
	2020 \$'000	2019 \$'000
<u>The non-current portion is repayable as follows:</u>		
Due within two to five years	32,314	26,517
After five years	49,942	51,156
Total non-current portion	<u>82,256</u>	<u>77,673</u>

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

	Group	
	2020 %	2019 %
Bank loan A (secured)	1.55 to 3.05	3.04 to 3.59
Bank loan B (secured)	1.55 to 3.05	3.05 to 3.58
Bank loan C (secured)	1.76 to 3.26	3.22 to 3.48
Bank loan D (secured)	1.67 to 3.44	3.20 to 3.58
Bank loan E (secured)	1.75 to 3.05	3.10 to 3.60
Bank loan F (secured)	1.95 to 2.38	2.08 to 2.38
Bank loan G (secured)	1.55 to 3.05	3.04 to 3.59
Bank loan H (secured)	2.25 to 3.26	3.21 to 3.42
Bank loan I (secured)	1.95 to 2.50	1.88 to 2.50
Bank loan J (secured)	1.95 to 2.50	1.88 to 2.50
Bank loan K (secured)	2.08 to 2.38	2.38
Bank loan L (secured)	1.76 to 3.25	3.23 to 3.45
Trust receipts and bills payable	<u>1.00 to 3.74</u>	<u>1.05 to 3.98</u>

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

	Group	
	2020 %	2019 %
Bank loan M (secured)	2.00	-
Bank loan N (secured)	2.00	-
Bank loan O (secured)	<u>2.00</u>	<u>-</u>

28A. 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 15) and leasehold land (Note 16).
- (iii) Corporate guarantee from the company.
- (iv) Need to comply with certain financial covenants.

28. Other financial liabilities (cont'd)

28B. 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.

28C. 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 15) and leasehold land (Note 16).
- (iii) Corporate guarantees from the company and a subsidiary.
- (iv) Need to comply with certain financial covenants.

28D. 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 15) and leasehold land (Note 16).
- (iii) Corporate guarantees from the company and a subsidiary.
- (iv) Need to comply with certain financial covenants.

28E. 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 15) and leasehold land (Note 16).
- (iii) Legal assignment of construction contract, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreement in respect of the proposed development.
- (iv) Joint and several corporate guarantees from the company and a subsidiary.
- (v) Personal guarantees from a director and a substantial shareholder.
- (vi) Need to comply with certain financial covenants.

28F. 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 15) and leasehold land (Note 16).
- (iii) Corporate guarantees from the company and a subsidiary.
- (iv) Need to comply with certain financial covenants.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

28. Other financial liabilities (cont'd)

28G. 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 (Note 17).
- (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.

28H. Bank loans M, N and O (secured)

The loans were drawn under the Enterprise Financing Scheme and repayable by monthly instalments over 5 years from the draw down date. 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.

28I. Trust receipts and bills payable

These are repayable within 150 to 180 days (2019: 150 to 180 days) and are guaranteed by the company.

29. Lease liabilities

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Lease liabilities, current	881	1,361	47	37
Lease liabilities, non-current	9,355	10,319	101	156
	10,236	11,680	148	193

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Total lease liabilities at beginning of reporting year	11,680	12,874	193	236
Additions	-	839	-	-
Remeasurement	(77)	10	-	-
Accretion of interest	324	368	7	9
Lease payments - principal portion paid	(1,682)	(2,328)	(45)	(43)
Interest paid	(9)	(83)	(7)	(9)
Total lease liabilities at end of reporting year	10,236	11,680	148	193

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

29. Lease liabilities (cont'd)

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Carrying amounts of motor vehicles under lease liabilities	350	555	266	360

A summary of the maturity analysis of lease liabilities is disclosed in Note 36E. Total cash outflows from leases are shown in the consolidated statement of cash flows. The related right-of-use assets are disclosed in Note 16.

For the Covid-19 related rent concessions, the practical expedient was applied for reflecting the adjustment in profit or loss rather than as a lease modification as permitted by the amendment to the financial reporting standard on leases. It allows lessees to account for such rent concessions as variable lease payments. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; (iii) there is no substantive change to other terms and conditions of the lease.

During the reporting year, expense of the group relating to short-term leases included in other expenses was \$536,000 (2019: \$175,000) (Note 11).

30. Provision

	Group	
	2020 \$'000	2019 \$'000
Provision for rebates	725	636
Movements in above provision:		
Balance at beginning of the year	636	891
Additions	725	636
Used	(636)	(891)
Balance at end of the year	725	636

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (2019: 60 days).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

31. Trade and other payables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	8,880	9,144	543	778
Joint ventures (Note 3)	80	147	-	-
Other related parties (Note 3)	1,270	1,104	-	-
Subtotal	10,230	10,395	543	778
<u>Other payables:</u>				
Outside parties	1,270	1,236	-	-
Subsidiaries (Note 3)	-	-	9,400	9,400
Joint venture (Note 3)	95	-	-	-
Director cum shareholder (Note 3)	2,461	2,792	-	-
Shareholder (Note 3)	2,219	2,718	-	-
Subtotal	6,045	6,746	9,400	9,400
Total trade and other payables	16,275	17,141	9,943	10,178

32. Other non-financial liabilities

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Contract liabilities – advance payments from customers	4,607	3,165	-	-
Deferred rental income	17	15	-	-
Deferred grant income (Note 23)	735	-	3	-
Lease incentives	-	9	-	-
Total other non-financial liabilities	5,359	3,189	3	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

33. Derivative financial assets (liabilities)

	Group	
	2020	2019
	\$'000	\$'000
Forward foreign exchange contracts	<u>9</u>	<u>(23)</u>
The movements during the year were as follows:		
Balance at beginning of the year	(23)	(35)
Increase in fair value through profit or loss under other gains (Note 7)	32	12
Balance at end of the year	<u>9</u>	<u>(23)</u>

33A. Forward foreign exchange contracts

The gross amounts of all notional values for contracts that have not yet been settled or cancelled at the end of the reporting year were as follows:

<u>Group</u> <u>Maturity</u>	Reference currency						Total
	United States Dollar		Euro		Chinese Renminbi		Fair value
	Principal	Fair value	Principal	Fair value	Principal	Fair value	
	US\$'000	\$'000	€'000	\$'000	RMB'000	\$'000	\$'000
<u>2020:</u>							
Within 2 months	169	(1)	553	15	-	-	14
Within 3 to 4 months	69	(2)	680	(2)	-	-	(4)
Within 5 to 6 months	-	-	-	-	-	-	-
Within 7 to 8 months	179	(1)	-	-	-	-	(1)
	<u>417</u>	<u>(4)</u>	<u>1,233</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>9</u>
<u>2019:</u>							
Within 2 months	131	(2)	761	(4)	637	(1)	(7)
Within 3 to 4 months	795	(10)	995	(2)	3,309	(4)	(16)
	<u>926</u>	<u>(12)</u>	<u>1,756</u>	<u>(6)</u>	<u>3,946</u>	<u>(5)</u>	<u>(23)</u>

The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

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

The fair value (Level 2) of forward foreign exchange contracts is based on current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

34. Capital commitments

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

	Group	
	2020	2019
	\$'000	\$'000
Commitments to purchase plant and equipment	<u>2,410</u>	<u>48</u>

35. Operating lease income commitments – as lessor

A maturity analysis of the undiscounted lease amounts to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years is as follows:

	Group	
	2020	2019
	\$'000	\$'000
Not later than one year	3,380	2,745
Between one and two years	1,967	1,564
Between two and three years	1,255	241
Between three and four years	25	85
Total	<u>6,627</u>	<u>4,635</u>
Rental income for the year (Note 5)	<u>3,339</u>	<u>3,277</u>

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

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As the lessor, the group manages the risk associated with any rights it retains in the underlying assets including any means to reduce that risk. Such means may include, insurance coverage, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits, having clauses in the leases providing for compensation to the lessor when a property has been subjected to excess wear-and-tear during the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. Financial instruments: information on financial risks

36A. 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 year:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	35,171	39,601	30,551	29,591
Financial assets at fair value through profit or loss	412	522	412	522
Derivatives financial instruments at fair value	9	-	-	-
	<u>35,592</u>	<u>40,123</u>	<u>30,963</u>	<u>30,113</u>
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	143,364	161,805	10,091	10,371
Derivatives financial instruments at fair value	-	23	-	-
	<u>143,364</u>	<u>161,828</u>	<u>10,091</u>	<u>10,371</u>

Further quantitative disclosures are included throughout these financial statements.

36B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior management staff.
- (iv) All financial risk management activities are carried out following market practices.
- (v) When appropriate, consideration is given to investing in shares or similar instruments.
- (vi) When appropriate, consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

The financial controller who monitors the procedures and reports to the Audit Committee of the board.

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. Financial instruments: information on financial risks (cont'd)

36C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying amounts of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

36D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach (that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life) is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables and contract assets. For credit risk on trade receivables, contract assets and other financial assets, an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

The group's and the company's major classes of financial assets are bank deposits and trade receivables.

Note 25 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

Other receivables are normally with no fixed terms and therefore there is no maturity.

36E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity.

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

Group	Less than	1 to 3 years	3 to 5	More than	Total
	1 year	\$'000	years	5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
2020:					
Gross loans and borrowings	37,479	15,450	22,566	54,902	130,397
Lease liabilities	1,174	1,739	1,181	10,974	15,068
Trade and other payables	16,275	-	-	-	16,275
	54,928	17,189	23,747	65,876	161,740

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

<u>Group</u>	<u>Less than 1 year \$'000</u>	<u>1 to 3 years \$'000</u>	<u>3 to 5 years \$'000</u>	<u>More than 5 years \$'000</u>	<u>Total \$'000</u>
<u>2019:</u>					
Gross loans and borrowings	58,451	12,787	18,253	61,871	151,362
Lease liabilities	1,685	2,188	1,445	11,548	16,866
Trade and other payables	17,141	-	-	-	17,141
	<u>77,277</u>	<u>14,975</u>	<u>19,698</u>	<u>73,419</u>	<u>185,369</u>
		<u>Less than 1 year \$'000</u>	<u>1 to 3 years \$'000</u>	<u>3 to 5 years \$'000</u>	<u>Total \$'000</u>
<u>Company</u>					
<u>2020:</u>					
Lease liabilities		53	106	-	159
Trade and other payables		9,943	-	-	9,943
		<u>9,996</u>	<u>106</u>	<u>-</u>	<u>10,102</u>
<u>2019:</u>					
Lease liabilities		43	114	53	210
Trade and other payables		10,178	-	-	10,178
		<u>10,221</u>	<u>114</u>	<u>53</u>	<u>10,388</u>

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the report date.

The following table analyses the derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	<u>Less than 1 year 2020 \$'000</u>	<u>2019 \$'000</u>
<u>Group</u>		
Forward currency forward contracts	<u>2,549</u>	<u>4,688</u>

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Financial guarantee contracts - For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

<u>Company</u>	<u>Less than 1 year \$'000</u>	<u>1 to 3 years \$'000</u>	<u>3 to 5 years \$'000</u>	<u>More than 5 years \$'000</u>	<u>Total \$'000</u>
<u>2020:</u>					
Financial guarantee contracts in favour of subsidiaries (Note 3)	33,792	10,721	14,654	33,720	92,887
<u>2019:</u>					
Financial guarantee contracts in favour of subsidiaries (Note 3)	54,139	9,450	9,765	35,464	108,818

The average credit period taken to settle trade payables is about 60 days (2019: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.

36F. Interest rate risk

The interest rate risk exposure is from changes in fixed and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The interest from financial assets including cash balances is not significant.

The following table analyses the breakdown of the significant financial instruments by type of interest rate at the end of the reporting year:

	<u>Group</u>		<u>Company</u>	
	<u>2020 \$'000</u>	<u>2019 \$'000</u>	<u>2020 \$'000</u>	<u>2019 \$'000</u>
<u>Financial liabilities:</u>				
Fixed rates	15,736	11,680	148	193
Floating rates	111,353	132,984	-	-
	127,089	144,664	148	193

The floating rate debt instruments are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	<u>Group</u>	
	<u>2020 \$'000</u>	<u>2019 \$'000</u>
<u>Financial liabilities:</u>		
A hypothetical increase in interest rates by 100 basis points with all other variables held constant would have decreased pre-tax profit for the year	1,114	1,330

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. Financial instruments: information on financial risks (cont'd)

36F. Interest rate risk (cont'd)

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

36G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts of financial assets and financial liabilities denominated in non-functional currencies at end of the reporting year is as follows:

<u>Group</u>	<u>United States Dollar \$'000</u>	<u>Euro \$'000</u>	<u>Vietnamese Dong \$'000</u>	<u>Chinese Renminbi \$'000</u>	<u>Total \$'000</u>
<u>2020:</u>					
<u>Financial assets:</u>					
Cash and cash equivalents	342	81	-	-	423
Loans and receivables	1,999	-	-	-	1,999
Total financial assets	<u>2,341</u>	<u>81</u>	<u>-</u>	<u>-</u>	<u>2,422</u>
<u>Financial liabilities:</u>					
Other financial liabilities	-	(4,347)	-	-	(4,347)
Trade and other payables	(3,667)	(227)	-	(1,184)	(5,078)
Total financial liabilities	<u>(3,667)</u>	<u>(4,574)</u>	<u>-</u>	<u>(1,184)</u>	<u>(9,425)</u>
Net financial liabilities	<u>(1,326)</u>	<u>(4,493)</u>	<u>-</u>	<u>(1,184)</u>	<u>(7,003)</u>
<u>2019:</u>					
<u>Financial assets:</u>					
Cash and cash equivalents	2,431	33	1,709	-	4,173
Loans and receivables	1,912	-	-	-	1,912
Total financial assets	<u>4,343</u>	<u>33</u>	<u>1,709</u>	<u>-</u>	<u>6,085</u>
<u>Financial liabilities:</u>					
Other financial liabilities	-	(5,889)	-	-	(5,889)
Trade and other payables	(3,153)	(277)	-	(731)	(4,161)
Total financial liabilities	<u>(3,153)</u>	<u>(6,166)</u>	<u>-</u>	<u>(731)</u>	<u>(10,050)</u>
Net financial (liabilities) assets	<u>1,190</u>	<u>(6,133)</u>	<u>1,709</u>	<u>(731)</u>	<u>(3,965)</u>

There is exposure to foreign currency risk as part of the group's normal business. In particular, there is significant exposure to United States Dollar, Euro and Chinese Renminbi currency risk due to the large value of purchases denominated in these currencies and the group sells its goods in Singapore Dollar. In this respect, forward currency contracts are entered into for the purpose of hedging the purchases in United States Dollar, Euro and Chinese Renminbi. Note 33A disclosed the forward currency contracts in place at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2020	2019
	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the following currencies with all other variables held constant would have a favourable (adverse) effect on pre-tax profit of:		
United States Dollar	133	(119)
Euro	449	613
Vietnamese Dong	-	(171)
Chinese Renminbi	118	73

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate, weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the group has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risk as the historical exposure does not reflect the exposure in future.

36H. Equity price risk

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

Sensitivity analysis: The effect on pre-tax profit is not significant.

37. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the group are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS(I) No.	Title
SFRS(I) 3	Definition of a Business – Amendments
SFRS(I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting
SFRS(I) 16	Covid-19 Related Rent Concessions – Amendment to (effective from 30 June 2020)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

38. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the group for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the group's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 1-1	Presentation of Financial Statements – Amendment relating to Classification of Liabilities as Current or Non-current	1 Jan 2023
SFRS (I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments to	1 Jan 2022
Various	Annual Improvements to SFRS(I)s 2018-2020	1 Jan 2022

39. Events after the end of the reporting year

- a) The wholly-owned subsidiary of the company, Hafary Pte Ltd (“HPL”) entered into a Letter of Intent dated 26 November 2020 to purchase one unit of leasehold property for a consideration of \$16,000,000. The acquisition is expected to be completed in second quarter of year 2021.
- b) On 24 March 2021, HPL had entered into a sale and purchase agreement with a non-controlling interest (“NCI”) who holds 10% shareholdings in the subsidiary of the group, World Furnishing Hub Pte. Ltd. (“WFH”), to acquire the 10% shareholdings held by the NCI in WFH for a consideration of \$3,700,000. Completion of the acquisition is conditional upon the fulfilment of various conditions, which have not been fulfilled at the date of this report. Upon completion of the acquisition, HPL's legal and beneficial ownership in the share capital of WFH will increase from 46% to 56%.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2021

Number of shares	:	430,550,000
Class of equity securities	:	Ordinary
Voting rights	:	One vote per ordinary share
Treasury shares and subsidiary holdings held	:	NIL

Distribution of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	–	–	–	–
100 – 1,000	25	3.98	12,000	–*
1,001 – 10,000	158	25.16	1,099,810	0.26
10,001 – 1,000,000	431	68.63	30,504,310	7.08
1,000,001 AND ABOVE	14	2.23	398,933,880	92.66
TOTAL	628	100.00	430,550,000	100.00

* Less than 0.01%

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82	–	–
HAP SENG CONSOLIDATED BERHAD ¹	–	–	218,790,000	50.82
GEK POH (HOLDINGS) SDN BHD ¹	–	–	218,790,000	50.82
MAGIC PRINCIPLE ASSETS LIMITED ²	–	–	218,790,000	50.82
HSBC INTERNATIONAL TRUSTEE LIMITED ²	–	–	218,790,000	50.82
TAN SRI DATUK SERI PANGLIMA LAU CHO KUN @ LAU YU CHAK ³	–	–	218,790,000	50.82
LOW KOK ANN ⁴	35,906,903	8.34	–	–
LOW SEE CHING ⁴	69,667,300	16.18	–	–
LOW BEE LAN AUDREY ⁴	22,133,857	5.14	–	–
TEE WEE SIEN ⁵	35,575,580	8.26	1,915,400	0.44

Notes:

- (1) Gek Poh (Holdings) Sdn. Bhd. ("GPH") holds a 62.64% comprising direct and indirect interest of 54.63% and 8.01% respectively in Hap Seng Consolidated Berhad ("HSCB"), which wholly-owns Hap Seng Investment Holdings Pte Ltd ("HSIHPL"). GPH and HSCB are each deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act, Chapter 50 (the "Act").
- (2) Magic Principle Assets Limited ("MPAL") holds a 44% interest in GPH, and is wholly-owned by HSBC International Trustee Limited ("HSBC"). MPAL and HSBC are deemed interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (3) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in GPH, and is deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (4) Low Kok Ann is the father of Low See Ching and Low Bee Lan Audrey.
- (5) 1,915,400 ordinary shares are held in the name of OCBC Securities Private Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2021

Twenty Largest Shareholders

NO.	NAME	NO. OF SHARES	%
1	HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82
2	LOW SEE CHING (LIU SHIJIN)	69,667,300	16.18
3	LOW KOK ANN	35,906,903	8.34
4	TEE WEE SIEN (ZHENG WEIXIAN)	35,574,580	8.26
5	LOW BEE LAN AUDREY	22,133,857	5.14
6	UOB KAY HIAN PRIVATE LIMITED	2,789,000	0.65
7	PHOON WAIE KUAN	2,295,480	0.53
8	OCBC SECURITIES PRIVATE LIMITED	2,106,100	0.49
9	HONG LEONG FINANCE NOMINEES PTE LTD	2,041,000	0.47
10	DBS NOMINEES (PRIVATE) LIMITED	1,919,200	0.45
11	PHILLIP SECURITIES PTE LTD	1,759,060	0.41
12	CITIBANK NOMINEES SINGAPORE PTE LTD	1,424,900	0.33
13	LOW EE HWEE	1,277,200	0.30
14	NOVA FURNISHING HOLDINGS PTE LTD	1,249,300	0.29
15	GOH KEE CHOO (WU QIZHU)	995,700	0.23
16	RAFFLES NOMINEES (PTE.) LIMITED	700,620	0.16
17	LYE IR-WIN BRUCE	657,400	0.15
18	TAY ENG KIAT JACKSON (ZHENG YINGJIE)	650,000	0.15
19	NG CHWEE TEE	579,900	0.13
20	EVANGELIN YEW LEET LING (EVANGELIN YAO LILING)	551,400	0.13
	TOTAL	403,068,900	93.61

Percentage of Shareholding in Public Hands

10.81% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of The Singapore Exchange Securities Trading Limited Listing Manual.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Ong Beng Chye, Director seeking re-election at the forthcoming Annual General Meeting.

Name	:	Ong Beng Chye Independent Director
Date Of First Appointment	:	10 November 2009
Age	:	53
Country of Principal Residence	:	Singapore
Date of last re-appointment	:	13 April 2018
The Board's comments on the re-appointment	:	The Board has considered the Nominating Committee's recommendation and assessments of Mr Ong's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	:	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Independent Non-Executive Chairman, Chairman of the Audit Committee and member of Nominating Committee and Remuneration Committee.
Professional qualifications	:	<ul style="list-style-type: none">• Bachelor of Science with Honours from the City, University of London• Fellow of the Institute of Chartered Accountants in England and Wales• Chartered Financial Analyst• Non-practicing member of the Institute of Singapore Chartered Accountants
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	No
Conflict of interest (including any competing business)	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	: Ong Beng Chye Independent Director
Working experience and occupation(s) during the past 10 years	: Mr Ong Beng Chye has more than 25 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a director of Appleton Global Private Limited, a business management and consultancy services firm. He is also serving as an independent director of other public listed companies in Singapore.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary	: Yes
Shareholding interest in the listed issuer and its subsidiaries	: No
Shareholding Details	: –
Other Principal Commitments Including Directorships	
Past (for the last 5 years)	: <u>Listed companies:</u> <ul style="list-style-type: none">• Heatec Jietong Holdings Ltd.• Kitchen Culture Holdings Ltd. <u>Non-listed company:</u> <ul style="list-style-type: none">• Gem Accounting Pte Ltd
Present	: <u>Listed companies:</u> <ul style="list-style-type: none">• Hafary Holdings Limited (Independent Director)• CWX Global Limited (Independent Director)• ES Group (Holdings) Limited (Independent Director)• Geo Energy Resources Limited (Independent Director)• IPS Securex Holdings Limited (Independent Director) <u>Non-listed companies:</u> <ul style="list-style-type: none">• Appleton Global Pte. Ltd.• Gem Corp Services Pte. Ltd.
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	: No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Ong Beng Chye**
Independent Director

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? : No

(c) Whether there is any unsatisfied judgment against him? : No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Ong Beng Chye**
Independent Director

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-

i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No

ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Ong Beng Chye**
Independent Director

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of an listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Datuk Edward Lee Ming Foo, ^{JP} Director seeking re-election at the forthcoming Annual General Meeting.

Name	: Datuk Edward Lee Ming Foo, ^{JP} Non-Independent Non-Executive Director
Date Of First Appointment	: 6 March 2015
Age	: 66
Country of Principal Residence	: Malaysia
Date of last re-appointment	: 13 April 2018
The Board's comments on the re-appointment	: The Board has considered the Nominating Committee's recommendation and assessments of Mr Datuk Edward Lee's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	: Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	: Non-Independent Non-Executive Director
Professional qualifications	: • Bachelor of Arts from McMaster University in Canada
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	: Datuk Edward Lee Ming Foo is the director of Hap Seng Investment Holdings Pte Ltd, immediate holding company (50.82%) of Hafary Holdings Limited.
Conflict of interest (including any competing business)	: No
Working experience and occupation(s) during the past 10 years	: Datuk Edward Lee is presently the Managing Director of Hap Seng Consolidated Berhad ("HSCB") and Hap Seng Plantations Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, he is the Managing Director of Gek Poh (Holdings) Sdn Bhd, the holding company of HSCB. HSCB is also the 50.82% major shareholder of the Company.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Datuk Edward Lee Ming Foo, JP**
Non-Independent Non-Executive Director

Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary : Yes

Shareholding interest in the listed issuer and its subsidiaries : Nil

Shareholding Details : -

Other Principal Commitments Including Directorships

Past (for the last 5 years) : Non-listed companies:

- Hap Seng Logistic Sdn Bhd
- Horizon Jaya Sdn Bhd (fka Hap Seng Commercial Vehicle Sdn Bhd)
- Sino Ceramics Sdn Bhd
- Blue Star Property Sdn Bhd

Present : Listed companies:

- Hap Seng Consolidated Berhad (Managing Director) Including its subsidiaries, namely
 - Caliber Suncity Sdn Bhd
 - Community CSR Sdn Bhd
 - Desa Alam Mewah Sdn Bhd
 - Euro-Asia Brand Holding Company Sdn Bhd
 - Future Golden Development Sdn Bhd
 - Gek Poh (Holdings) Sdn Bhd
 - GLM Emerald (Sepang) Sdn Bhd
 - Hap Seng Auto Sdn Bhd
 - Hap Seng Automotive Acceptance Sdn Bhd
 - Hap Seng Body & Paint Sdn Bhd
 - Hap Seng Building Materials Holdings Sdn Bhd
 - Hap Seng Building Materials Marketing Pte Ltd
 - Hap Seng Building Materials Sdn Bhd
 - Hap Seng CarFleet Sdn Bhd
 - Hap Seng Clay Products Sdn Bhd
 - Hap Seng Commercial Development Sdn Bhd
 - Hap Seng Construction Sdn Bhd
 - Hap Seng Credit Sdn Bhd
 - Hap Seng Equity Sdn Bhd
 - Hap Seng Fertilizers Sdn Bhd
 - Hap Seng Investment Holdings Pte Ltd
 - Hap Seng Land Sdn Bhd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name

: **Datuk Edward Lee Ming Foo, JP**
Non-Independent Non-Executive Director

- Hap Seng Consolidated Berhad (Managing Director)
Including its subsidiaries, namely (cont'd)
 - Hap Seng Land Development (Balakong) Sdn Bhd
 - Hap Seng Land Development (Bangsar) Sdn Bhd
 - Hap Seng Land Development (Kluang) Sdn Bhd
 - Hap Seng Land Development (Puchong) Sdn Bhd
 - Hap Seng Land Development (JTR) Sdn Bhd
 - Hap Seng Land Development (JTR2) Sdn Bhd
 - Hap Seng Land Development (Jesselton Hill) Sdn Bhd
 - Hap Seng Land Development (PJ) Sdn Bhd
 - Hap Seng Land Development Sdn Bhd
 - Hap Seng Land Development And JCA Sdn Bhd
 - Hap Seng Land Development (KK) Sdn Bhd
 - Hap Seng Land Services Sdn Bhd
 - Hap Seng Leisure Sdn Bhd
 - Hap Seng Management Sdn Bhd
 - Hap Seng Management Services Sdn Bhd
 - Hap Seng (Oil & Transport) Sdn Bhd
 - Hap Seng Property Investment Sdn Bhd
 - Hap Seng Properties Development Sdn Bhd
 - Hap Seng Properties Services (Sabah) Sdn Bhd
 - Hap Seng Realty Sdn Bhd
 - Hap Seng Realty Auto Sdn Bhd
 - Hap Seng Realty (Autohaus) Sdn Bhd
 - Hap Seng Realty (KK I) Sdn Bhd
 - Hap Seng Realty (KL City) Sdn Bhd
 - Hap Seng Seri Alam Sdn Bhd
 - Hap Seng Star Sdn Bhd
 - Hap Seng Trading Holdings Sdn Bhd
 - Hap Seng Trading (BM) Sdn Bhd
 - Hap Seng Trucks Distribution Sdn Bhd
 - Hap Seng Trucks Sdn Bhd
 - HSC Birmingham Holding Limited
 - HSC Brisbane Holding Pte Ltd
 - HSC Bristol Holding Pte Ltd
 - HSC International Limited
 - HSC Leeds Holding Pte Ltd
 - HSC London Holding Pte Ltd
 - HSC Nottingham Holding Pte Ltd
 - HSC Manchester Holding Limited
 - HSC Manchester Holding Pte Ltd
 - HSC Melbourne Holding Pte Ltd
 - Inverfin Sdn Bhd
 - Jana Pendidikan Malaysia Sdn Bhd (Alternate Director)
 - Kao Fu Bricks Sdn Bhd (In liquidation)
 - KL Midtown Sdn Bhd
 - Lakaran Warisan Sdn Bhd
 - Macro Arch (M) Sdn Bhd
-

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Datuk Edward Lee Ming Foo, JP**
Non-Independent Non-Executive Director

- Hap Seng Consolidated Berhad (Managing Director) Including its subsidiaries, namely (cont'd)
 - Malaysian Mosaics Sdn Bhd
 - Menara Hap Seng Sdn Bhd
 - MML Ceramic (Thailand) Co., Ltd (In liquidation)
 - MML Marketing Pte Ltd
 - MML Marketing Sdn Bhd
 - MML (Shanghai) Trading Co., Ltd
 - Palms Edge (M) Sdn Bhd
 - Pacific Emerald Properties Sdn Bhd
 - Positive Harmony Sdn Bhd
 - Positive Tropical Sdn Bhd
 - Prosperity Projections Sdn Bhd
 - Prosperity Sunland Sdn Bhd
 - P.T. Sasco Indonesia
 - Richmore Development Sdn Bhd
 - Sasco Company Ltd.
 - Sasco (China) Co., Ltd
 - Sierra Ventures Sdn Bhd
 - SKI Segar Sdn Bhd
 - Sunpoint Resources Sdn Bhd
 - Sunrise Addition Sdn Bhd
 - Sunrise Strategy Sdn Bhd
 - Sunhill Ventures Sdn Bhd

 - Hap Seng Plantations Holdings Berhad (Managing Director) Including its subsidiaries, namely
 - Jeroco Plantations Sdn Bhd
 - Hap Seng Plantations (River Estates) Sdn Bhd
 - Hap Seng Plantations (Wecan) Sdn Bhd
 - Hap Seng Plantations (Tampilit) Sdn Bhd
 - Hap Seng Plantations (Ladang Kawa) Sdn Bhd
 - Hap Seng Plantations (Kota Marudu) Sdn Bhd
 - Hap Seng Edible Oils Sdn Bhd
 - Pelipikan Plantation Sdn Bhd

 - Hafary Holdings Limited (Non-independent Non-Executive Director)
- Non-listed companies:
- LSHC Sydney Holding Limited (fka HSC Sydney Holding Limited)
 - Wintercorn Malaysia Sdn Bhd

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Datuk Edward Lee Ming Foo, JP**
Non-Independent Non-Executive Director

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? : No

(c) Whether there is any unsatisfied judgment against him? : No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Datuk Edward Lee Ming Foo, JP**
Non-Independent Non-Executive Director

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-

i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No

ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Datuk Edward Lee Ming Foo, JP**
Non-Independent Non-Executive Director

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of an listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Yong Teak Jan @ Yong Teck Jan, Director seeking re-election at the forthcoming Annual General Meeting.

Name	: Yong Teak Jan @ Yong Teck Jan Non-Independent Non-Executive Director
Date Of First Appointment	: 18 January 2018
Age	: 50
Country of Principal Residence	: Malaysia
Date of last re-appointment	: 13 April 2018
The Board's comments on the re-appointment	: The Board has considered the Nominating Committee's recommendation and assessments of Mr Yong's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	: Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	: Non-Independent Non-Executive Director
Professional qualifications	: • Bachelor of Science with Honours in Chemistry from University of Malaya in Malaysia
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	: No
Conflict of interest (including any competing business)	: No
Working experience and occupation(s) during the past 10 years	: Mr. Yong has more than 25 years of experience in the building material and engineering industries in Malaysia and Singapore. He had held various positions such as business development, sales and marketing, export, manufacturing and procurement scopes in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

He is currently a director and the Chief Operating Officer of building materials-general trading business of Hap Seng Consolidated Berhad and Malaysian Mosaics Sdn Bhd, which trades and distributes ceramic tiles under the 'MML' brand name, one of Malaysia's leading brands in ceramic tiles with more than five decades in the market.

Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary : Yes

Shareholding interest in the listed issuer and its subsidiaries : No

Shareholding Details : -

Other Principal Commitments Including Directorships

Past (for the last 5 years) : None

Present : Listed company:
Hafary Holdings Limited (Non-Independent Non-Executive Director)

Non-listed companies:

- Hap Seng (Oil & Transport) Sdn Bhd
 - Hap Seng Trading Holdings Sdn Bhd
 - Hap Seng Trading (BM) Sdn Bhd
 - Malaysian Mosaics Sdn Bhd
 - MML Ceramic (Thailand) Co., Ltd (In liquidation)
 - MML Marketing Pte. Ltd.
 - MML Marketing Sdn Bhd
 - MML (Shanghai) Trading Co., Ltd
 - PT MML Ceramic Indonesia
 - Sino Ceramics Sdn Bhd
-

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? : No

(c) Whether there is any unsatisfied judgment against him? : No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-

i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No

ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of an listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Foo Yong How, Director seeking re-election at the forthcoming Annual General Meeting.

Name	:	Foo Yong How Independent Director
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Date Of First Appointment	:	9 July 2020
<hr/>		
Age	:	42
<hr/>		
Country of Principal Residence	:	Singapore
<hr/>		
Date of last re-appointment	:	Not Applicable
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The Board's comments on the re-appointment	:	The Board has considered the Nominating Committee's recommendation and assessments of Mr Foo's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
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Whether appointment is executive, and if so, the area of responsibility	:	Non-Executive
<hr/>		
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Independent Director, Chairman of the Remuneration Committee and member of Audit Committee and Nominating Committee.
<hr/>		
Professional qualifications	:	<ul style="list-style-type: none">• Bachelor of Engineering• CFA® Charterholder
<hr/>		
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	No
<hr/>		
Conflict of interest (including any competing business)	:	No
<hr/>		

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Foo Yong How**
Independent Director

Working experience and occupation(s) during the past 10 years : Mr Foo has more than 10 years of experience in investment banking, business development and wealth management. He was appointed as Chief Corporate Officer in Sapphire Corporation Limited (listed on SGX Mainboard), assisting the CEO of Sapphire in key functions which includes formulation of strategic planning in mergers and acquisition, new business opportunities and corporate finance related activities. He can contribute to the Group with his expertise in the strategic planning and corporate finance activities.

He was formerly the General Manager of International Healthway Corporation Ltd (now known as OUE Lippo Healthcare Ltd), assisting the Board of Directors in the management and supervision of operations, financial management and marketing, as well as being part of the Interim Transition Committee, when the new Board of directors was appointed with the existing CEO being suspended of all executive functions and power.

He has also worked in UOB Kay Hian where he was involved in structuring both public and private deals in the investment banking field and international capital markets. He has co-led numerous successful IPO deals in diverse sectors, such as real estate, medical and resources.

June 2018 - Current
Sapphire Corporation Limited
Chief Corporate Officer

June 2017 - Current
Wise Torch Investments (SG) Pte Ltd
Senior Director

Jan 2017 - June 2017
International Healthway Corporation Limited
General Manager

Nov 2016 - Jan 2017
Wise Torch Investments (SG) Pte Ltd
Senior Director

Jul 2016 - Nov 2016
Munsun Asset Management (Asia) Ltd
Director

May 2008 - Jul 2016
UOB-Kay Hian
Vice President (Equity Sales)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Foo Yong How**
Independent Director

Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary : Yes

Shareholding interest in the listed issuer and its subsidiaries : No

Shareholding Details : -

Other Principal Commitments Including Directorships

Past (for the last 5 years) : • Youxibi Pte Ltd

Present : Listed company:
Hafary Holdings Limited (Independent Director)

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? : No

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? : No

(c) Whether there is any unsatisfied judgment against him? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Foo Yong How**
Independent Director

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Foo Yong How**
Independent Director

- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No
 - ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No
 - iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No
 - iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No
-

- (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No
-

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name : **Foo Yong How**
Independent Director

Disclosure applicable to the appointment of Director only

Any prior experience as a director of an listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hafary Holdings Limited (the "Company") will be held by way of electronic means on Wednesday, 14 April 2021 at 10.30 a.m. (of which there will be a live webcast) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare the final dividend of 0.75 Singapore cent per ordinary share tax exempt one-tier for the financial year ended 31 December 2020 (FY2019: 0.50 Singapore cent). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 104 of the Company's Constitution and/or Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") at the forthcoming Annual General Meeting ("AGM"):

Mr Ong Beng Chye

(Resolution 3)

Datuk Edward Lee Ming Foo, _{JP}

(Resolution 4)

Mr Yong Teak Jan @ Yong Teck Jan

(Resolution 5)

Datuk Edward Lee Ming Foo, _{JP} will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered as non-independent.

Mr Yong Teak Jan @ Yong Teck Jan will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered as non-independent.

4. To re-elect Mr Foo Yong How as Director of the Company pursuant to Article 108 of the Company's Constitution at the forthcoming AGM. **(Resolution 6)**

Mr Foo Yong How will, upon re-election as Director of the Company, remain as Independent Director, Chairman of the Remuneration Committee and member of Audit Committee and Nominating Committee and will be considered as independent.

5. To approve the payment of Directors' Fees of S\$229,468 for the financial year ended 31 December 2020. (FY2019: S\$231,000) **(Resolution 7)**
6. To re-appoint Messrs RSM Chio Lim LLP as Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50, the Constitution of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be and are hereby authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments and made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted (in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST); and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 9)

9. **Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Hafary Performance Share Plan (the “**Plan**”) and to allot and issue and/or deliver such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of shares to be delivered pursuant to the Plan, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 10)

NOTICE OF ANNUAL GENERAL MEETING

10. **Renewal of General Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval be and is hereby given for the renewal of the general mandate permitting the Company, its subsidiaries and associated companies to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting (the "Appendix") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms which are not prejudicial to the interests of the Company and its minority Shareholders (as defined in the Appendix) and are in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "IPT General Mandate");
- (b) the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT General Mandate as they may think fit.

[See Explanatory Note (iii)]

(Resolution 11)

11. **The proposed continued appointment of Mr Ong Beng Chye as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST**

That, subject to and contingent upon the passing of Resolution 3 by the shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM and the passing of Resolution 13 by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer ("CEO") of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):

- (a) the continued appointment of Mr Ong Beng Chye as Independent Director, for purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Ong Beng Chye as Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See Explanatory Note (iv)]

(Resolution 12)

12. **The proposed continued appointment of Mr Ong Beng Chye as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST**

That, subject to and contingent upon the passing of Resolutions 3 and 12 by the shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM and the passing of this Resolution by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):

- (a) the continued appointment of Mr Ong Beng Chye as Independent Director, for purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Ong Beng Chye as Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See Explanatory Note (iv)]

(Resolution 13)

In compliance with Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the Directors and CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST), shall abstain from voting on Resolution 13. The Company will disregard any votes cast by the Directors and the CEO of the Company, and their respective associates, in respect of their holdings of shares (if any) on Resolution 13.

NOTICE OF ANNUAL GENERAL MEETING

Mr Ong Beng Chye will, upon the passing of Resolutions 12 and 13, remain as Independent Non-Executive Chairman, Chairman of Audit Committee and member of Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

If only Resolutions 3 and 12 are passed but Resolution 13 is not passed, Mr Ong Beng Chye shall continue to be designated as an Independent Non-Executive Director up to and including 31 December 2021 and shall thereafter be re-designated as a Non-Independent Non-Executive Director as of and from 1 January 2022.

13. The proposed continued appointment of Mr Terrance Tan Kong Hwa as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST

That, subject to and contingent upon the passing of Resolution 15 by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):

- (a) the continued appointment of Mr Terrance Tan Kong Hwa as Independent Director, for purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Terrance Tan Kong Hwa as Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See Explanatory Note (iv)]

(Resolution 14)

14. The proposed continued appointment of Mr Terrance Tan Kong Hwa as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST

That subject to and contingent upon the passing of Resolution 14 by the shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM and the passing of this Resolution by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):

- (a) the continued appointment of Mr Terrance Tan Kong Hwa as Independent Director, for purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Terrance Tan Kong Hwa as Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See Explanatory Note (iv)]

(Resolution 15)

In compliance with Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the Directors and CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST), shall abstain from voting on Resolution 15. The Company will disregard any votes cast by the Directors and the CEO of the Company, and their respective associates, in respect of their holdings of shares (if any) on Resolution 15.

Mr Terrance Tan Kong Hwa will, upon the passing of Resolutions 14 and 15, remain as Independent Director, Chairman of Nominating Committee and member of Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

If only Resolution 14 is passed but Resolution 15 is not passed, Mr Terrance Tan Kong Hwa shall continue to be designated as an Independent Non-Executive Director up to and including 31 December 2021 and shall thereafter be re-designated as a Non-Independent Non-Executive Director as of and from 1 January 2022.

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary
Singapore, 30 March 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is earlier, to offer and grant awards under the Plan in accordance with the provision of the Plan and to deliver from time to time such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan up to a number not exceeding in aggregate (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (iii) Ordinary Resolution 11 proposed in item 10 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- (iv) The proposed Ordinary Resolutions 12, 13, 14 and 15 in items 11, 12, 13 and 14 above respectively are to seek approval from the shareholders via a Two-Tier Voting process for Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa to continue in office as Independent Directors of the Company for a three-year term, with effect from the passing of these resolutions proposed at the forthcoming AGM until the conclusion of the third AGM of the Company following the passing of these resolutions.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such Directors who have, over time, gained valuable insights into the Group, its market and the industry.

The Nominating Committee and the Board have determined that Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa remain objective and independent minded in Board deliberations. Their vast experience would enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service do not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, both Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa fulfil the definition of independent directors of the Listing Manual of the SGX-ST and Code of Corporate Governance 2018. More importantly, the Board is confident that both Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa are capable to continue to discharge their duties independently with integrity and competency.

Shareholders should note that in the event that the proposed Ordinary Resolutions 12 and 13 and/or Ordinary Resolutions 14 and 15 relating to the continued appointments of Independent Directors are not passed, the Company shall endeavour to fill the vacancy of the independent director/s (which must comprise of at least one-third of the Board) within two months, in any case not later than three months from the date the Independent Directors be re-designated as Non-Independent Non-Executive Directors for the purpose of compliance with Rule 210(5)(c) of the Listing Manual of the SGX-ST, as applicable.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The Annual General Meeting (the "Meeting") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via "live" webcast and "live" audio feed), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled "Instructions to Shareholders for Annual General Meeting 2021". This means shareholders will be able to observe the Meeting proceedings through "live" webcast and "live" audio feed.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. The instrument appointing a proxy accompanying the Notice of the Meeting may be accessed at the Company's website at the URL <https://www.hafary.com.sg>, and will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes as soon as possible but not less than 7 working days before the Meeting (**by 5.00 p.m. on 1 April 2021**).

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. Duly completed and signed instrument appointing the Chairman of the Meeting as proxy must either be submitted to the Company in the following manner:
 - (a) if submitted by post, to be deposited at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or
 - (b) if submitted electronically, to be submitted via email to enquiry@hafary.com.sg

in either case not less than forty-eight (48) hours before the time appointed for the Meeting i.e. 10.30 a.m. on 12 April 2021.

A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the URLs provided in Note 3 above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email to enquiry@hafary.com.sg

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Important Notice from the Company pertaining to the COVID-19 situation:

The Company wishes to remind shareholders that, with the constantly evolving COVID-19 situation, the Company may be required to change its Meeting arrangements at short notice. Shareholders are advised to check SGXNET and the Company's website regularly for updates on the Meeting.



HAFARY HOLDINGS LIMITED

合發利控股有限公司

Incorporated in the Republic of Singapore

Company Registration No. 200918637C

**PROXY FORM
ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. The Annual General Meeting ("AGM" or the "Meeting") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" webcast and "live" audio feed), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying document entitled "Instructions to Shareholders for Annual General Meeting 2021". This means shareholders will be able to observe the Meeting through "live" webcast and "live" audio feed.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF or SFRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SFRS Operators to submit their votes as soon as possible but not less than 7 working days before the AGM (**by 5.00 p.m. on 1 April 2021**).
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 30 March 2021.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We*, _____

of _____

being a member/members of HAFARY HOLDINGS LIMITED (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held by way of electronic means on Wednesday, 14 April 2021 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against or abstain from voting the Resolutions to be tabled at the Meeting as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.**

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾	Number of Votes Abstain ⁽¹⁾
Ordinary Business:				
1	Statement by Directors and Audited Financial Statements for the financial year ended 31 December 2020			
2	Declaration of proposed final dividend of 0.75 Singapore cent per ordinary share			
3	Re-election of Mr Ong Beng Chye as Director			
4	Re-election of Datuk Edward Lee Ming Foo, JP as Director			
5	Re-election of Mr Yong Teak Jan @ Yong Teck Jan as Director			
6	Re-election of Mr Foo Yong How as Director			
7	Approval of Directors' Fees amounting to S\$229,468 for the financial year ended 31 December 2020			
8	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditor			
Special Business:				
9	Authority to issue shares			
10	Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan			
11	Renewal of General Mandate for Interested Person Transactions			
12	Proposed continued appointment of Mr Ong Beng Chye as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") (which will take effect on 1 January 2022)			
13	Proposed continued appointment of Mr Ong Beng Chye as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST (which will take effect on 1 January 2022)			
14	Proposed continued appointment of Mr Terrance Tan Kong Hwa as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST (which will take effect on 1 January 2022)			
15	Proposed continued appointment of Mr Terrance Tan Kong Hwa as Independent Director of the Company for the purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST (which will take effect on 1 January 2022)			

⁽¹⁾ If you wish to appoint the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark "Abstain", you are directing your proxy not to vote.

Dated this _____ day of _____ 2021

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.** The instrument of appointing a proxy may be accessed at the Company's website at the URL <https://www.hafary.com.sg>, and will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes as soon as possible but not less than 7 working days before the AGM **(by 5.00 p.m. on 1 April 2021)**.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or
 - (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg

in either case not less than forty-eight (48) hours before the time appointed for the Meeting i.e. 10.30 a.m. on 12 April 2021.

5. A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the URLs provided in Note 2 above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email to enquiry@hafary.com.sg

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 March 2021.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OUR SHOWROOMS

Hafary Gallery

105 Eunos Avenue 3 Hafary Centre
Singapore 409836
Tel: 6250 1368 Fax: 6383 1536
Email: eunosshowroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am – 7.30pm
Sun and PH: 9.00am – 7.00pm

Hafary Balestier

560 Balestier Road Singapore 329876
Tel: 6250 1369 Fax: 6255 4450
Email: balestiershowroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am – 8.00pm
Sun and PH: 9.00am – 7.00pm



Hafary Tradehub 21

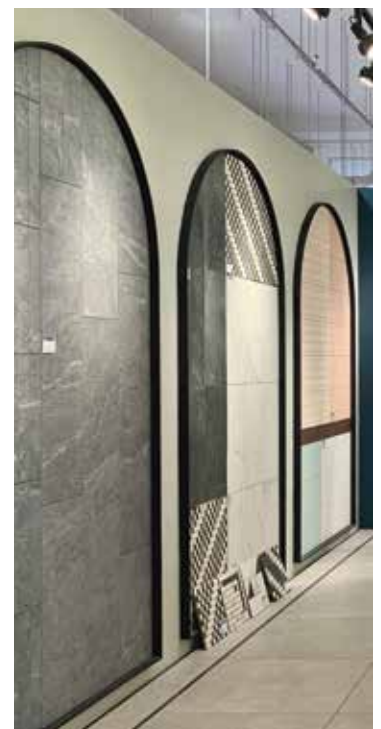
18 Boon Lay Way #01-132 Tradehub 21
Singapore 609966
Tel: 6570 6265 Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am – 7.30pm
Sun and PH: 9.00am – 7.00pm

The Stone Gallery By Hafary

18 Sungei Kadut Street 2
World Furnishing Hub, Level 7
Singapore 729236
Tel: 6219 3323 Fax: 6219 3313
Email: thestonegallery@hafary.com.sg

Operating hours (By Appointment only):
Mon to Sat: 9.00am – 6.00pm





合發利控股有限公司
HAFARY HOLDINGS LIMITED

(Company Registration No. 200918637C)
105 Eunos Avenue 3 Hafary Centre
Singapore 409836