Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Six Months ("2H2022") and Full Year ("FY2022") Ended 31 December 2022

	Notes	2H2022 $'000	2H2021 $'000	Change %	FY2022 $'000	FY2021 $'000	Change %
Revenue	2	97,612	67,528	44.6	168,885	126,004	34.0
Interest income		50	99	(49.5)	109	161	(32.3)
Other income and gains		3,586	3,232	11.0	6,950	6,156	12.9
Changes in inventories of goods held for resale		1,932	278	595.0	10,923	2,485	339.6
Purchases and related costs		(52,919)	(36,035)	46.9	(100,970)	(69,944)	44.4
Employee benefits expenses		(13,400)	(10,950)	22.4	(24,623)	(21,318)	15.5
Depreciation expense		(3,603)	(2,772)	30.0	(6,937)	(5,206)	33.3
Depreciation of right-of-use assets		(1,310)	(1,143)	14.6	(2,517)	(2,269)	10.9
Impairment losses		(164)	(5,166)	(96.8)	(589)	(8,498)	(93.1)
Other losses		–	(149)	(100.0)	–	(223)	(100.0)
Finance costs		(2,740)	(1,704)	60.8	(4,616)	(3,204)	44.1
Other expenses		(6,969)	(5,774)	20.7	(13,073)	(10,573)	23.6
Share of profit from an equity-accounted associate		2,070	1,253	65.2	3,679	1,206	205.1
Share of profit (loss) from equity-accounted joint ventures		262	(27)	N.M.	362	356	1.7
Profit before income tax		24,407	8,670	181.5	37,583	15,133	148.4
Income tax expense	4	(4,584)	(1,766)	159.6	(6,945)	(2,821)	146.2
Profit, net of tax		19,823	6,904	187.1	30,638	12,312	148.8
<u>Other comprehensive (loss) income</u>							
Item that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations, net of tax		(1,186)	543	(318.4)	(1,642)	1,134	(244.8)
Total comprehensive income for the year, net of tax		18,637	7,447	150.3	28,996	13,446	115.6

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Six Months and Full Year Ended 31 December 2022 (cont'd)

	Notes	2H2022 $'000	2H2021 $'000	Change %	FY2022 $'000	FY2021 $'000	Change %
Profit attributable to:							
- Owners of the parent, net of tax		18,987	6,490	192.6	29,372	11,580	153.6
- Non-controlling interests, net of tax		836	414	101.9	1,266	732	73.0
		19,823	6,904	187.1	30,638	12,312	148.8
Total comprehensive income attributable to:							
- Owners of the parent, net of tax		17,801	7,033	153.1	27,730	12,714	118.1
- Non-controlling interests, net of tax		836	414	101.9	1,266	732	73.0
		18,637	7,447	150.3	28,996	13,446	115.6
		Cents	Cents		Cents	Cents	
Earnings per share							
Basic and diluted		4.41	1.51		6.82	2.69	

Additional Information on the Interim Consolidated Statement of Profit or Loss For The Six Months and Full Year Ended 31 December 2022

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

	2H2022 $'000	2H2021 $'000	Change %	FY2022 $'000	FY2021 $'000	Change %
Rental income	2,753	2,036	35.2	5,215	3,888	34.1
Interest expense on borrowings	(2,530)	(1,499)	68.8	(4,195)	(2,818)	48.9
Interest expense on lease liabilities	(210)	(205)	2.4	(421)	(386)	9.1
Interest income	50	99	(49.5)	109	161	(32.3)
Depreciation of investment properties	(290)	(10)	N.M.	(299)	(19)	N.M.
Depreciation of property, plant and equipment	(3,313)	(2,762)	19.9	(6,638)	(5,187)	28.0
Depreciation of right-of-use assets	(1,310)	(1,143)	14.6	(2,517)	(2,269)	10.9
Additions – individually impaired	(332)	(583)	(43.1)	(184)	(579)	(68.2)
(Additions) reversal – collectively impaired	(47)	(16)	193.8	(106)	46	(330.4)
Allowance for impairment of other receivables	(133)	(350)	(62.0)	(133)	(350)	(62.0)
Bad debts recovered – trade receivables	7	16	(56.3)	7	26	(73.1)
Bad debts written-off – trade receivables	–	–	–	–	(27)	(100.0)
Net allowance for impairment of inventories – reversal (additions)	341	(4,233)	108.1	(173)	(7,614)	(97.7)
Foreign exchange adjustment (loss) gain	(21)	252	(108.3)	219	246	(11.0)
Fair value gain (loss) on derivative financial instruments, net	147	(40)	467.5	145	(74)	295.9
Fair value gains (losses) on other financial assets, net	124	(72)	272.2	124	(72)	272.2
Gain on disposal of plant and equipment	161	–	N.M.	163	–	N.M.
Gain on disposal of quoted securities	91	–	N.M.	91	–	N.M.
Government grants	68	687	(90.1)	411	1,642	(75.0)

N.M.: Not meaningful.

Condensed Interim Statements of Financial Position
As at 31 December 2022

	Notes	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	104,086	94,612	473	173
Right-of-use assets	7	132,140	71,751	–	–
Investment properties	8	17,390	4,172	–	–
Investments in subsidiaries		–	–	9,239	9,239
Investment in an associate	9	19,423	17,507	–	–
Investments in joint ventures	10	2,832	2,805	–	–
Other financial assets		335	340	335	340
Total non-current assets		276,206	191,187	10,047	9,752
Current assets					
Inventories	11	56,998	46,249	–	–
Trade and other receivables	12	53,296	35,733	35,637	31,065
Derivative financial assets		81	–	–	–
Other non-financial assets		5,443	6,784	3	85
Cash and cash equivalents		11,504	6,070	30	20
Total current assets		127,322	94,836	35,670	31,170
Total assets		403,528	286,023	45,717	40,922
EQUITY AND LIABILITIES					
Equity					
Share capital	13	26,930	26,930	26,930	26,930
Retained earnings		67,350	48,612	7,286	3,531
Foreign currency translation reserve	14	(1,709)	(67)	–	–
Equity, attributable to owners of the parent		92,571	75,475	34,216	30,461
Non-controlling interests		3,441	1,931	–	–
Total equity		96,012	77,406	34,216	30,461
Non-current liabilities					
Deferred tax liabilities		886	953	–	–
Loans and borrowings, non-current	16, 17	173,016	112,924	–	–
Lease liabilities, non-current	16, 18	13,383	12,491	–	51
Total non-current liabilities		187,285	126,368	–	51
Current liabilities					
Income tax payable		7,172	2,688	–	–
Provision	19	1,119	924	–	–
Trade and other payables		26,654	17,668	11,501	10,360
Derivative financial liabilities		–	64	–	–
Loans and borrowings, current	16, 17	76,130	55,142	–	–
Lease liabilities, current	16, 18	1,015	926	–	50
Other non-financial liabilities		8,141	4,837	–	–
Total current liabilities		120,231	82,249	11,501	10,410
Total liabilities		307,516	208,617	11,501	10,461
Total equity and liabilities		403,528	286,023	45,717	40,922

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

Condensed Interim Statements of Changes in Equity
For The Year Ended 31 December 2022

Group:	Total equity $'000	Attributable to parent subtotal $'000	Share capital $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000
Current year:						
Opening balance at 1 January 2022	77,406	75,475	26,930	48,612	(67)	1,931
Changes in equity:						
Total comprehensive income (loss) for the year	28,996	27,730	–	29,372	(1,642)	1,266
Dividends paid (Note 5)	(6,458)	(6,458)	–	(6,458)	–	–
Dividends paid to non-controlling interests in subsidiaries	(942)	–	–	–	–	(942)
Capital contribution by non-controlling interest	30	–	–	–	–	30
Acquisition of a non-controlling interest without a change in control (#)	(3,020)	(4,176)	–	(4,176)	–	1,156
Closing balance at 31 December 2022	96,012	92,571	26,930	67,350	(1,709)	3,441
Previous year:						
Opening balance at 1 January 2021	73,468	71,309	26,930	45,580	(1,201)	2,159
Changes in equity:						
Total comprehensive income for the year	13,446	12,714	–	11,580	1,134	732
Dividends paid (Note 5)	(6,458)	(6,458)	–	(6,458)	–	–
Dividends paid to non-controlling interests in subsidiaries	(1,200)	–	–	–	–	(1,200)
Acquisition of a non-controlling interest without a change in control	(1,850)	(2,090)	–	(2,090)	–	240
Closing balance at 31 December 2021	77,406	75,475	26,930	48,612	(67)	1,931

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

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

Condensed Interim Statements of Changes in Equity (cont'd)
For The Year Ended 31 December 2022

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2022	30,461	26,930	3,531
Changes in equity:			
Total comprehensive income for the year	10,213	–	10,213
Dividends paid (Note 5)	(6,458)	–	(6,458)
Closing balance at 31 December 2022	34,216	26,930	7,286
Previous year:			
Opening balance at 1 January 2021	30,380	26,930	3,450
Changes in equity:			
Total comprehensive income for the year	6,539	–	6,539
Dividends paid (Note 5)	(6,458)	–	(6,458)
Closing balance at 31 December 2021	30,461	26,930	3,531

**Condensed Interim Consolidated Statement of Cash Flows
For The Six Months and Full Year Ended 31 December 2022**

	2H2022 $'000	2H2021 $'000	FY2022 $'000	FY2021 $'000
Cash flows from operating activities				
Profit before income tax	24,407	8,670	37,583	15,133
Adjustments for:				
Interest expense on borrowings	2,530	1,499	4,195	2,818
Interest expense on lease liabilities	210	205	421	386
Interest income	(50)	(99)	(109)	(161)
COVID-19 related rent concessions from lessors	–	–	–	(14)
Depreciation of property, plant and equipment	3,313	2,762	6,638	5,187
Depreciation of right-of-use assets	1,310	1,143	2,517	2,269
Depreciation of investment properties	290	10	299	19
Gain on disposal of plant and equipment	(161)	–	(163)	–
Gain on disposal of quoted securities	(91)	–	(91)	–
Fair value (gains) losses on other financial assets, net	(124)	72	(124)	72
Share of profit from an equity-accounted associate	(2,070)	(1,253)	(3,679)	(1,206)
Share of (profit) loss from equity-accounted joint ventures	(262)	27	(362)	(356)
Net effect of exchange rate changes in consolidating subsidiaries	196	96	52	48
Operating cash flows before changes in working capital	29,498	13,132	47,177	24,195
Inventories	(2,272)	3,977	(10,749)	4,689
Trade and other receivables	(16,743)	(1,038)	(20,280)	(3,561)
Other non-financial assets	801	150	1,083	(1,412)
Provision	224	50	195	199
Trade and other payables	8,756	1,370	10,213	2,973
Derivative financial assets / liabilities	(147)	39	(145)	73
Other non-financial liabilities	3,383	34	3,304	(522)
Net cash flows from operations	23,500	17,714	30,798	26,634
Income taxes paid	(1,224)	(347)	(2,528)	(1,129)
Net cash flows from operating activities	22,276	17,367	28,270	25,505

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Six Months and Full Year Ended 31 December 2022

	2H2022 $'000	2H2021 $'000	FY2022 $'000	FY2021 $'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note A)	(8,814)	(7,412)	(19,320)	(26,477)
Purchase of investment property (Note B)	(9,550)	–	(9,550)	–
Upfront payment for right-of-use assets (Note C)	(61,095)	(31,771)	(61,095)	(31,771)
Proceeds from disposal of plant and equipment	295	–	299	11
Deposit paid for property acquisition	713	(878)	–	(878)
Net movements in amount due from an associate	–	1,299	1,381	(1,406)
Net movements in amount due from joint ventures	400	263	384	31
Proceeds from disposal of quoted securities	220	–	220	–
Dividend income from an associate	357	–	1,059	–
Dividend income from joint ventures	–	–	137	350
Interest income received	61	45	79	67
Net cash flows used in investing activities	(77,413)	(38,454)	(86,406)	(60,073)
Cash flows from financing activities				
Dividends paid to equity owners	(3,229)	(3,229)	(6,458)	(6,458)
Dividends paid to non-controlling interests	–	–	(942)	(1,200)
Net movements in amounts due to a director cum a shareholder	56	(631)	(520)	(1,052)
Net movements in amounts due to a shareholder	–	(555)	(1,108)	(1,110)
Lease liabilities – principal portion paid	(830)	(711)	(1,596)	(1,385)
(Decrease) increase in trust receipts and bills payable	(492)	(1,804)	7,277	9,661
Increase from new borrowings	71,267	37,814	83,876	52,614
Decrease in loans and borrowings	(4,207)	(4,636)	(10,073)	(11,062)
Interest expense paid	(2,122)	(1,485)	(3,846)	(2,760)
Acquisition of a non-controlling interest without a change in control	–	(1,850)	(3,020)	(1,850)
Net cash flows from financing activities	60,443	22,913	63,590	35,398
Net increase in cash and cash equivalents	5,306	1,826	5,454	830
Net effect of exchange rate changes on cash and cash equivalents	(45)	10	(20)	29
Cash and cash equivalents, beginning balance	6,243	4,234	6,070	5,211
Cash and cash equivalents, ending balance	11,504	6,070	11,504	6,070

Condensed Interim Consolidated Statement of Cash Flows (cont'd)

For The Six Months and Full Year Ended 31 December 2022

Note A: Purchase of property, plant and equipment

During the reporting year, the group acquired property, plant and equipment with an aggregate cost of $20,610,000 (2021: $27,091,000). $11,100,000 (2021: $16,433,000) additions of property, plant and equipment were financed through bank loan.

Note B: Purchase of investment property

During the reporting year, the group acquired investment property with an aggregate cost of $9,550,000 (2021:Nil). $8,013,000 (2021: Nil) additions of investment property were financed through bank loan.

Note C: Upfront payment for right-of-use assets

During the reporting year, the group acquired investment property with an aggregate cost of $63,253,000 (2021: $35,970,000). $51,264,000 (2021: $24,681,000) additions were financed through bank loan.

Notes to the Financial Statements
31 December 2022

1. General

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

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

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

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

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

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

Basis of presentation

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

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

Critical judgements, assumptions and estimation uncertainties

These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates. The nature and the carrying amount of such significant assets and liabilities are disclose with further details in the relevant notes to these condensed consolidated interim financial statements.

1. General (cont'd)

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

Assessment of expected credit loss allowance on trade receivables:
The assessment of the expected credit losses ("ECL") requires a degree of estimation and judgement. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

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

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

Measurement of impairment of joint venture:
Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is $1,003,000.

2. Financial information by operating segments

2A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

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

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

For management purposes, the reporting entity is organised into three major strategic operating segments: General, Project and Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The goods in the General and Project segments comprise ceramic tiles, stone and wood furnishing for residential and commercial properties.

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

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

- Project segment includes customers who are usually involved in major property development projects, in residential, commercial, public and industrial sectors. Project customers include architecture firms, property developers and construction companies.

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

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before amortisation and depreciation, finance cost, income taxes and share of profit (loss) from investee companies ("Recurring EBITDA"); and (2) operating results before income taxes and other unallocated items ("ORBIT").

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

2B. Profit or loss from continuing operations and reconciliations

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

	General	Project	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
Continuing operations – 2H2022:					
Total revenue by segment	79,588	51,108	–	–	130,696
Inter-segment sales	(16,981)	(16,103)	–	–	(33,084)
Total revenue	62,607	35,005	–	–	97,612
Recurring EBITDA	20,215	7,021	2,250	242	29,728
Amortisation and depreciation expense	(4,064)	(334)	(515)	–	(4,913)
Finance costs	(1,965)	11	(786)	–	(2,740)
Share of profit from an equity-accounted associate	–	–	2,070	–	2,070
Share of profit from equity-accounted joint ventures	–	–	262	–	262
ORBIT	14,186	6,698	3,281	242	24,407
Income tax expense					(4,584)
Profit, net of tax					19,823

	General	Project	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
Continuing operations – 2H2021:					
Total revenue by segment	59,669	35,449	–	–	95,118
Inter-segment sales	(15,038)	(12,552)	–	–	(27,590)
Total revenue	44,631	22,897	–	–	67,528
Recurring EBITDA	8,641	2,480	1,766	176	13,063
Amortisation and depreciation expense	(2,914)	(542)	(459)	–	(3,915)
Finance costs	(1,228)	(145)	(331)	–	(1,704)
Share of profit from an equity-accounted associate	–	–	1,253	–	1,253
Share of loss from equity-accounted joint ventures	–	–	(27)	–	(27)
ORBIT	4,499	1,793	2,202	176	8,670
Income tax expense					(1,766)
Profit, net of tax					6,904

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

2B. Profit or loss from continuing operations and reconciliations (cont'd)

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

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – FY2022:					
Total revenue by segment	142,829	86,791	–	–	229,620
Inter-segment sales	(33,604)	(27,131)	–	–	(60,735)
Total revenue	109,225	59,660	–	–	168,885
Recurring EBITDA	33,509	9,432	4,181	490	47,612
Amortisation and depreciation expense	(7,027)	(867)	(1,560)	–	(9,454)
Finance costs	(3,254)	(88)	(1,274)	–	(4,616)
Share of profit from an equity-accounted associate	–	–	3,679	–	3,679
Share of profit from equity-accounted joint ventures	–	–	362	–	362
ORBIT	23,228	8,477	5,388	490	37,583
Income tax expense					(6,945)
Profit, net of tax					30,638

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – FY2021:					
Total revenue by segment	110,856	68,415	–	–	179,271
Inter-segment sales	(28,140)	(25,127)	–	–	(53,267)
Total revenue	82,716	43,288	–	–	126,004
Recurring EBITDA	17,349	3,303	3,407	191	24,250
Amortisation and depreciation expense	(5,537)	(1,073)	(865)	–	(7,475)
Finance costs	(2,321)	(293)	(590)	–	(3,204)
Share of profit from an equity-accounted associate	–	–	1,206	–	1,206
Share of profit from equity-accounted joint ventures	–	–	356	–	356
ORBIT	9,491	1,937	3,514	191	15,133
Income tax expense					(2,821)
Profit, net of tax					12,312

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

2C. Assets, liabilities and reconciliations

	General	Project	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
As at 31 December 2022:					
Segment assets	291,805	72,078	39,645	–	403,528
Segment liabilities	237,848	48,363	13,247	–	299,458
Deferred tax liabilities					886
Income tax payable					7,172
Total liabilities					307,516
As at 31 December 2021:					
Segment assets	192,256	69,283	24,484	–	286,023
Segment liabilities	157,666	44,780	2,530	–	204,976
Deferred tax liabilities					953
Income tax payable					2,688
Total liabilities					208,617

2D. Other material items and reconciliations

	General	Project	Others	Unallocated	Group
For 6 months ended 31 December:	$'000	$'000	$'000	$'000	$'000
Impairment of assets:					
2022	(35)	199	–	–	164
2021	4,532	634	–	–	5,166
Expenditure for non-current assets:					
2022	8,494	300	9,570	–	18,364
2021	7,802	16	–	–	7,818
For 12 months ended 31 December:					
Impairment of assets:					
2022	373	216	–	–	589
2021	6,918	1,580	–	–	8,498
Expenditure for non-current assets:					
2022	20,254	336	9,570	–	30,160
2021	26,939	152	–	–	27,091

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

2E. Geographical information

	Revenue		Non-current assets	
			31 Dec	31 Dec
	FY2022	FY2021	2022	2021
	$'000	$'000	$'000	$'000
Singapore	164,319	121,750	247,163	162,278
People's Republic of China	796	485	9,285	11,062
Socialist Republic of Vietnam	–	–	19,423	17,507
Republic of the Union of Myanmar	458	490	–	–
Republic of Indonesia	157	863	–	–
Cambodia	2,674	1,322	–	–
Malaysia	230	370	–	–
Others	251	724	–	–
	168,885	126,004	275,871	190,847

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments.

2F. Disaggregation of revenue from contracts with customers

	Revenue		Revenue	
	2H2022	2H2021	FY2022	FY2021
	$'000	$'000	$'000	$'000
Goods recognised at point in time	93,112	63,452	159,667	118,732
Services recognised over time	4,500	4,076	9,218	7,272
Total continuing operations	97,612	67,528	168,885	126,004

3. Related party transactions - Group

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

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3. Related party transactions – Group (cont'd)

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

	2H2022	2H2021	FY2022	FY2021
	$'000	$'000	$'000	$'000
Associate:				
Interest income	–	(54)	(14)	(71)
Joint ventures:				
Sale of goods	(818)	(544)	(1,150)	(619)
Rental income	(210)	(211)	(421)	(420)
Interest income	(41)	(40)	(82)	(80)
Purchases of goods	4,032	4,062	9,360	7,809
Receiving of services	1,492	532	2,206	1,069
Directors:				
Sale of goods	–	(16)	(1)	(21)
Other related parties:				
Sale of goods	(357)	(22)	(518)	(475)
Rental income	(140)	(106)	(202)	(185)
Miscellaneous income	–	(45)	(56)	(103)
Purchases of goods	5,193	2,335	9,245	5,519
Rental expenses	61	2	62	7
Property management fee	23	4	45	4

4. Income tax - Group

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

	2H2022	2H2021	FY2022	FY2021
	$'000	$'000	$'000	$'000
Current tax expense:				
Current tax expense	4,635	1,462	7,041	2,576
Over adjustments in respect of prior years	(29)	(44)	(29)	(44)
Subtotal	4,606	1,418	7,012	2,532
Deferred tax (income) expense:				
Deferred tax (income) expense	(65)	343	(110)	229
Under adjustments in respect of prior years	43	5	43	60
Subtotal	(22)	348	(67)	289
Total income tax expense	4,584	1,766	6,945	2,821

4. Income tax – Group (cont'd)

4A. Components of tax expense recognised in profit or loss include (cont'd)

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

	2H2022	2H2021	FY2022	FY2021
	$'000	$'000	$'000	$'000
Profit before income tax	24,407	8,670	37,583	15,133
Less:				
- Share of profit from an equity-accounted associate	(2,070)	(1,253)	(3,679)	(1,206)
- Share of (profit) loss from equity-accounted joint ventures	(262)	27	(362)	(356)
	22,075	7,444	33,542	13,571
Income tax expense at the above rate	3,753	1,265	5,702	2,307
Effect of different tax rates in different countries	(4)	1	7	33
Expenses not deductible for tax purposes	821	539	1,344	587
Tax exemption and rebates	–	–	(122)	(122)
Under (over) adjustments in respect of prior years	14	(39)	14	16
Total income tax expense	4,584	1,766	6,945	2,821
Effective income tax rate for the period/ year	21%	24%	21%	21%

5. Dividends on equity shares

	2022	2021
	$'000	$'000
Final tax exempt (1-tier) dividends paid of 0.75 cent (2021: 0.75 cent) per share	3,229	3,229
Interim tax exempt (1-tier) dividends paid of 0.75 cent (2021: 0.75 cent) per share	3,229	3,229
Total dividends paid during the year	6,458	6,458

6. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
At 1 January 2021	84,424	14,079	4,044	102,547
Additions	22,243	4,819	29	27,091
Disposals	–	(101)	(99)	(200)
Foreign exchange adjustments	255	50	(1)	304
At 31 December 2021	106,922	18,847	3,973	129,742
Additions	13,536	6,410	664	20,610
Disposals	–	(156)	(511)	(667)
Transfer to investment properties (Note 8)	(4,017)	–	–	(4,017)
Foreign exchange adjustments	(494)	(100)	(5)	(599)
At 31 December 2022	115,947	25,001	4,121	145,069
Accumulated depreciation:				
At 1 January 2021	18,441	8,465	3,140	30,046
Depreciation for the year	3,493	1,313	381	5,187
Disposals	–	(95)	(94)	(189)
Foreign exchange adjustments	68	16	2	86
At 31 December 2021	22,002	9,699	3,429	35,130
Depreciation for the year	4,571	1,734	333	6,638
Disposals	–	(135)	(396)	(531)
Transfer to investment properties (Note 8)	(50)	–	–	(50)
Foreign exchange adjustments	(156)	(43)	(5)	(204)
At 31 December 2022	26,367	11,255	3,361	40,983
Carrying amount:				
At 1 January 2021	65,983	5,614	904	72,501
At 31 December 2021	84,920	9,148	544	94,612
At 31 December 2022	89,580	13,746	760	104,086

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

Company	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:			
At 1 January 2021 and 31 December 2021	2	470	472
Additions	–	506	506
Disposals	–	(470)	(470)
At 31 December 2022	2	506	508
Accumulated depreciation:			
At 1 January 2021	2	202	204
Depreciation for the year	–	95	95
At 31 December 2021	2	297	299
Depreciation for the year	–	96	96
Disposals	–	(360)	(360)
At 31 December 2022	2	33	35
Carrying amount:			
At 1 January 2021	–	268	268
At 31 December 2021	–	173	173
At 31 December 2022	–	473	473

As at the reporting year ended 31 December 2022, the group's leasehold properties with carrying amount of $86,184,000 (2021: $80,974,000) are mortgaged for bank facilities (Note 17).

Certain motor vehicles are under lease liabilities (Note 18).

7. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost:			
At 1 January 2021	49,321	4,421	53,742
Additions	35,667	303	35,970
Remeasurement	–	(303)	(303)
Foreign exchange adjustments	232	–	232
At 31 December 2021	85,220	4,421	89,641
Additions	62,098	1,155	63,253
Remeasurement	–	(1,615)	(1,615)
Foreign exchange adjustments	(449)	–	(449)
At 31 December 2022	146,869	3,961	150,830
Accumulated depreciation:			
At 1 January 2021	12,086	3,793	15,879
Depreciation for the year	1,761	508	2,269
Remeasurement	–	(303)	(303)
Foreign exchange adjustments	45	–	45
At 31 December 2021	13,892	3,998	17,890
Depreciation for the year	2,037	480	2,517
Remeasurement	–	(1,615)	(1,615)
Foreign exchange adjustments	(102)	–	(102)
At 31 December 2022	15,827	2,863	18,690
Carrying amount:			
At 1 January 2021	37,235	628	37,863
At 31 December 2021	71,328	423	71,751
At 31 December 2022	131,042	1,098	132,140

As at the reporting year ended 31 December 2022, the group's land use rights with carrying amount of $114,853,000 (2021: $54,980,000) are mortgaged for bank facilities (Note 17). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

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

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

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

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

8. Investment properties

Group	Freehold land $'000	Freehold building $'000	Leasehold buildings $'000	Total $'000
Cost:				
At 1 January 2021 and 31 December 2021	3,906	370	–	4,276
Additions	–	–	9,550	9,550
Transfer from property, plant and equipment (Note 6)	–	–	4,017	4,017
At 31 December 2022	3,906	370	13,567	17,843
Accumulated depreciation:				
At 1 January 2021	–	85	–	85
Depreciation for the year	–	19	–	19
At 31 December 2021	–	104	–	104
Depreciation for the year	–	19	280	299
Transfer from property, plant and equipment (Note 6)	–	–	50	50
At 31 December 2022	–	123	330	453
Carrying value:				
At 1 January 2021	3,906	285	–	4,191
At 31 December 2021	3,906	266	–	4,172
At 31 December 2022	3,906	247	13,237	17,390

	Group 2022 $'000	Group 2021 $'000
Fair value at end of the year for disclosure purposes only	17,850	4,500
Rental income from investment properties	833	120
Direct operating expenses (including repairs and maintenance) arising from investment properties	(338)	(12)

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

The investment properties are mortgaged as security for the bank facilities (Note 17).

9. Investment in an associate

	Group	
	2022	2021
	$'000	$'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends received	16,604	14,688
Carrying amount	19,423	17,507
Movements in carrying amount:		
At beginning of the reporting year	17,507	15,753
Share of profit for the reporting year	3,679	1,206
Dividends	(1,059)	–
Foreign exchange adjustments	(704)	548
At end of the reporting year	19,423	17,507

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

The details of the associate are given as below:

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

10. Investments in joint ventures

	Group	
	2022	2021
	$'000	$'000
Unquoted equity shares at cost	3,195	3,195
Share of post-acquisition losses, net of dividends received	(363)	(390)
Carrying amount	2,832	2,805
Movements in carrying amount:		
At beginning of the reporting year	2,805	2,655
Share of profits for the reporting year	362	356
Dividends	(137)	(350)
Foreign exchange adjustments	(198)	144
At end of the year	2,832	2,805
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	1,641	2,236

10. Investments in joint ventures (cont'd)

The details of the joint ventures are given as below:

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

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

11. Inventories

	Group	
	2022	2021
	$'000	$'000
Goods held for resale	56,998	46,249
Inventories are stated after allowance. Movements in allowance:		
At beginning of the year	18,398	10,784
Charged to profit or loss included in impairment losses	173	7,614
At end of the year	18,571	18,398

There are no inventories pledged as security for liabilities.

12. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	44,783	28,732	–	–
Less: Allowance for impairment	(2,070)	(2,149)	–	–
Subsidiary	–	–	2,754	1,602
Joint venture	873	846	–	–
Other related parties	356	35	–	–
Director	7	–	–	–
Retention receivables on contracts	2,609	2,041	–	–
Subtotal	46,558	29,505	2,754	1,602
Other receivables:				
Outside parties	523	197	230	–
Subsidiary			32,653	29,463
Joint ventures [#a]	4,140	3,834	–	–
Less: Allowance for impairment	(483)	(350)	–	–
Associate [#b]	–	1,366	–	–
Other related parties	–	4	–	–
Refundable deposits	2,558	1,177	–	–
Subtotal	6,738	6,228	32,883	29,463
Total trade and other receivables	53,296	35,733	35,637	31,065
Movements in above allowance on trade receivables:				
At beginning of the year	2,149	1,807	–	–
Additions – individually impaired	184	579	–	–
Additions (reversal) – collectively impaired	106	(46)	–	–
Bad debts written-off	(369)	(191)	–	–
At end of the year	2,070	2,149	–	–
Movements in above allowance on other receivables:				
At beginning of the year	350	–	–	–
Additions – individually impaired	133	350	–	–
At end of the year	483	350	–	–

[#a] Included in other receivables is a loan to a joint venture amounting to $2,551,000 (2021: $2,220,000) which is unsecured, bears interest at 4.0% (2021: 4.0%) per annum and repayable on demand. The remaining balance of the loans to joint ventures are unsecured, interest-free and repayable on demand.

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

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

12. Trade and other receivables (cont'd)

(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 year, approximately:

- 96% (2021: 94%) of the group's trade receivables from Singapore.
- 4% (2021: 6%) of the group's trade receivables from other countries.

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

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (2021: 60 days). But some customers take a longer period to settle the amounts.

The allowance which is disclosed in the Note on trade receivables is based on individual accounts totalling $1,792,000 (2021: $1,976,000) 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. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The loss allowance of $278,000 (2021: $173,000) for the group is included in the allowance for impairment of receivables amounting to $2,070,000 as at 31 December 2022 (2021: $2,149,000). There are no collateral held as security and other credit enhancements for the trade receivables held by the group.

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

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

13. Share capital

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

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

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

There were no outstanding convertibles as at 31 December 2022 (2021: Nil).

The company did not hold any treasury shares as at 31 December 2022 (2021: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 31 December 2022.

14. 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.

15. Net asset value per share

	Group		Company	
	2022	2021	2022	2021
Net asset value per share based on existing issued share capital as at the respective dates (cents)	21.5	17.5	7.9	7.1

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

	Secured		Unsecured	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Repayable in one year or less, or on demand:				
Bank borrowings (Note 17)	48,861	35,150	–	–
Trust receipts and bills payable (Note 17)	27,269	19,992	–	–
Lease liabilities (Note 18)	–	50	1,015	876
Subtotal	76,130	55,192	1,015	876
Repayable after one year:				
Bank borrowings (Note 17)	173,016	112,924	–	–
Lease liabilities (Note 18)	–	51	13,383	12,440
Subtotal	173,016	112,975	13,383	12,440
Total	249,146	168,167	14,398	13,316

17. Loans and borrowings

	Group	
	2022	2021
	$'000	$'000
Non-current:		
With floating interest rates:		
Bank loan U (secured) (Note 17M)	61,600	–
Subtotal	61,600	–
With fixed interest rates:		
Bank loan F (secured) (Note 17C)	8,594	9,660
Bank loan H (secured) (Note 17E)	38,219	40,064
Bank loan I (secured) (Note 17F)	7,297	8,513
Bank loan J (secured) (Note 17F)	6,567	7,662
Bank loan K (secured) (Note 17G)	2,148	2,320
Bank loan M (secured) (Note 17H)	1,153	1,903
Bank loan N (secured) (Note 17H)	937	1,433
Bank loan O (secured) (Note 17H)	244	368
Bank loan P (secured) (Note 17I)	11,664	12,190
Bank loan Q (secured) (Note 17H)	982	1,349
Bank loan R (secured) (Note 17J)	25,909	27,044
Bank loan S (secured) (Note 17K)	1,455	418
Bank loan T (secured) (Note 17L)	6,247	–
Subtotal	111,416	112,924
Non-current, total	173,016	112,924
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 17A)	5,500	2,000
Bank loan B (secured) (Note 17A)	8,000	7,000
Bank loan C (secured) (Note 17A)	3,000	1,500
Bank loan D (secured) (Note 17B)	9,000	2,500
Bank loan E (secured) (Note 17B)	2,000	1,500
Bank loan G (secured) (Note 17D)	4,500	4,500
Bank loan L (secured) (Note 17A)	5,500	5,500
Bank loan V (secured) (Note 17N)	500	–
Trust receipts and bills payable (Note 17O)	27,269	19,992
Subtotal	65,269	44,492
With fixed interest rates:		
Bank loan F (secured) (Note 17C)	1,066	1,066
Bank loan H (secured) (Note 17E)	2,945	4,145
Bank loan I (secured) (Note 17F)	1,216	1,216
Bank loan J (secured) (Note 17F)	1,095	1,095
Bank loan K (secured) (Note 17G)	172	172
Bank loan M (secured) (Note 17H)	750	735
Bank loan N (secured) (Note 17H)	497	487
Bank loan O (secured) (Note 17H)	124	121
Bank loan P (secured) (Note 17I)	596	610
Bank loan Q (secured) (Note 17H)	367	151
Bank loan R (secured) (Note 17J)	1,135	756
Bank loan S (secured) (Note 17K)	472	96
Bank loan T (secured) (Note 17L)	426	–
Subtotal	10,861	10,650
Current, total	76,130	55,142
Total	249,146	168,066

17. Loans and borrowings (cont'd)

	Group	
	2022	2021
	$'000	$'000
The non-current portion is repayable as follows:		
Due within two to five years	105,594	43,445
After five years	67,422	69,479
Total non-current portion	173,016	112,924

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

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

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

	Group	
	2022	2021
	%	%
Bank loan A (secured)	1.60 to 4.33	1.55 to 1.68
Bank loan B (secured)	1.60 to 4.33	1.55 to 1.60
Bank loan C (secured)	1.86 to 5.66	1.76 to 1.86
Bank loan D (secured)	1.87 to 5.59	1.75 to 1.95
Bank loan E (secured)	1.80 to 5.55	1.75 to 1.80
Bank loan G (secured)	1.60 to 4.33	1.55 to 1.85
Bank loan L (secured)	1.81 to 5.76	1.76 to 1.86
Bank loan U (secured)	3.58 to 4.24	–
Bank loan V (secured)	3.83 to 4.49	–
Trust receipts and bills payable	1.00 to 5.34	1.05 to 2.11

17. Loans and borrowings (cont'd)

17A. Bank loans A, B, C and L (secured)

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

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

17B. 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.

17C. Bank loan F (secured)

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

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

17D. Bank loan G (secured)

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

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

17E. Bank loan H (secured)

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

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

17. Loans and borrowings (cont'd)

17F. Bank loans I and J (secured)

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

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

17G. 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 8).
(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.

17H. Bank loans M, N, O and Q (secured)

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

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

17I. Bank loan P (secured)

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

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

17. Loans and borrowings (cont'd)

17J. Bank loan R (secured)

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

(i) Repayable by equal monthly instalments over 25 years.
(ii) The loan has an interest servicing period for the first 6 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a right-of-use asset (Note 7) and an investment property (Note 8).
(iv) Corporate guarantee from a subsidiary.
(v) Need to comply with certain financial covenants.

17K. Bank loan S (secured)

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

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

17L. Bank loan T (secured)

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

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

17M. Bank loan U (secured)

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

(i) Repayable by equal monthly instalments over 5 years.
(ii) The loan has an interest servicing period for the first 15 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a mixed of leasehold property (Note 6), right-of-use asset (Note 7) and investment property (Note 8).
(iv) Corporate guarantee from the company and a subsidiary.
(v) Need to comply with certain financial covenants.

17N. Bank loans V (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.

17. Loans and borrowings (cont'd)

17O. Trust receipts and bills payable

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

18. Lease liabilities

	Group	
	2022	2021
	$'000	$'000
Lease liabilities, current	1,015	926
Lease liabilities, non-current	13,383	12,491
Total	14,398	13,417

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

	Group	
	2022	2021
	$'000	$'000
Total lease liabilities at beginning of reporting year	13,417	10,236
Additions	2,158	4,199
Accretion of interest	421	386
Lease payments – principal portion paid	(1,596)	(1,399)
Interest paid	(2)	(5)
Total lease liabilities at end of reporting year	14,398	13,417

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

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

	Group and Company	
	2022	2021
	$'000	$'000
Carrying amounts of motor vehicles under lease liabilities	–	172

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

During the reporting year, expense of the group relating to short-term leases included in other expenses was $609,000 (2021: $977,000).

19. Provision

	Group 2022 $'000	Group 2021 $'000
Provision for rebates	1,119	924
Movements in above provision:		
Balance at beginning of the year	924	725
Additions	1,119	924
Used	(924)	(725)
Balance at end of the year	1,119	924

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

20. 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 2022 $'000	Group 2021 $'000
Commitments to purchase plant and equipment	78	1,488
Commitments to acquire a leasehold property	–	7,902
Commitments to acquire 30% shareholdings held by NCI	–	3,020
Contractual obligations for construction works	10,154	1,614
Total	10,232	14,024

21. Categories of financial assets and liabilities

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

	Group 2022 $'000	Group 2021 $'000
Financial assets:		
Financial assets at amortised cost	64,800	41,803
Financial assets at fair value through profit or loss	335	340
Derivatives financial instruments at fair value	81	–
	65,216	42,143
Financial liabilities:		
Financial liabilities at amortised cost	290,198	199,151
Derivatives financial instruments at fair value	–	64
	290,198	199,215

22. Changes and adoption of financial reporting standards

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

Other Information Required by Listing Rule Appendix 7.2
31 December 2022

1. Review

The condensed interim consolidated statements of financial position of Hafary Holdings Limited (the "company") and its subsidiaries (the "group") as at 31 December 2022 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the reporting year then ended and certain explanatory notes have not been audited or reviewed.

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

Revenue

For 2H2022, the group registered a revenue of S$97.6 million compared to S$67.5 million during 2H2021. For FY2022, the group registered a revenue of S$168.9 million compared to S$126.0 million during FY2021.

The revenue consists of below segments:

General segment
For 6 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S$18.0 million or 40.3% from S$44.6 million during 2H2021 to S$62.6 million during 2H2022. For 12 months ended, revenue from the general segment increased by S$26.5 million or 32.0% from S$82.7 million during FY2021 to S$109.2 million during FY2022. The increase in revenue was support by active resale market, robust demand from home buyers who prefer the certainty of getting their flats in the resale market and avoid the construction delays for Build-To-Order flats, caused by manpower shortages and supply chain disruption.

Project segment
For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$12.1 million or 52.9% from S$22.9 million during 2H2021 to S$35.0 million during 2H2022. For 12 months ended, revenue from the project segment increased by S$16.4 million or 37.8% from S$43.3 million during FY2021 to S$59.7 million during FY2022. The increase in revenue was mainly due to the construction activity picked up during the period, supported in part by the relaxation of border restriction on the inflow of migrant workers.

Interest Income

For FY2022, interest income mainly derived from a loan of US$1.2 million (equivalent to approximately S$1.8 million) to a joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"), to support their business expansion in China.

For FY2021, interest income mainly derived from a loan of US$1.5 million (equivalent to approximately S$2.1 million) to a joint venture, ITA Element, to support their business expansion in China and also derived from a loan of US$3.0 million (equivalent to approximately S$4.1 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their working capital needs in Vietnam.

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

Other income and gains

For 6 months ended, other income and gains increased by S$0.4 million or 11.0% from S$3.2 million during 2H2021 to S$3.6 million during 2H2022. For 12 months ended, other income and gains increased by S$0.8 million or 12.9% from S$6.2 million during FY2021 to S$7.0 million during FY2022.

For FY2022, other income and gains mainly comprised of rental income of S$5.2 million, government grants of S$0.4 million, sales of solar energy of S$0.4 million, foreign exchange adjustments gains of S$0.2 million and gains on disposal of plant and equipment of $0.2 million.

For FY2021, other income and gains mainly comprised of rental income of S$3.8 million, government grants of S$1.6 million and foreign exchange adjustments gains of S$0.2 million. There are various relief measures and support from the Singapore government, including jobs support scheme and foreign worker levy rebate. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

The increase in other income and gains mainly contributed by the increase in rental income and sales of solar energy. This was partially offset by the decrease in government grants.

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

Other Losses

For 2H2021 and FY2021, other losses mainly comprised of fair value losses on derivative financial instruments of S$40,000 and S$0.1 million respectively and fair value losses on other financial assets of S$0.1 million for both periods.

Cost of Sales

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

For 6 months ended, cost of sales increased by S$15.2 million or 42.6% from S$35.8 million during 2H2021 to S$51.0 million during 2H2022. For 12 months ended, cost of sales increased by S$22.6 million or 33.5% from S$67.5 million during FY2021 to S$90.0 million during FY2022. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin (based on revenue from sale of goods and cost of sales, without taking into account labour costs and overheads) of 47.7% for 2H2022 and 46.7% for FY2022 has slightly increased as compared to 47.0% for 2H2021 and 46.5% for FY2021.

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

Employee Benefits Expense

For 6 months ended, employee benefits expenses increased by S$2.5 million or 22.4% from S$11.0 million during 2H2021 to S$13.4 million during 2H2022. For 12 months ended, employee benefits expenses increased by S$3.3 million or 15.5% from S$21.3 million during FY2021 to S$24.6 million during FY2022. The increase is mainly due to the accruals of bonus is revised up to in line with the improved business performance during the period and higher staff commission due to higher sales collection as compared to FY2021. As at 31 December 2022, the group had 347 employees (including directors) (31 December 2021: 323).

Amortisation and Depreciation Expense

For 6 months ended, amortisation and depreciation expenses increased by S$1.0 million or 25.5% from S$3.9 million during 2H2021 to S$4.9 million during 2H2022. For 12 months ended, amortisation and depreciation expenses increased by S$2.0 million or 26.5% from S$7.5 million during FY2021 to S$9.5 million during FY2022. The increase is mainly due to increase in depreciation charge on newly acquired properties during the year.

Impairment Losses

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

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

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

For 6 months ended, the reversal of impairment losses mainly comprise the reversal of impairment of inventories of S$0.3 million. For 12 months ended, the impairment losses mainly comprise the impairment of inventories of S$0.2 million. The impairment losses decreased by S$7.9 million or 93.1% from S$8.5 million during FY2021 to S$0.1 million during FY2022. The decrease mainly due to the decrease in allowance for impairment of inventories.

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

Finance Costs

For 6 months ended, finance costs increased by S$1.0 million or 60.8% from S$1.7 million during 2H2021 to S$2.7 million during 2H2022. For 12 months ended, finance costs increased by S$1.4 million or 44.1% from S$3.2 million during FY2021 to S$4.6 million during FY2022. The increase mainly due to additional term loan interest incurred on the newly acquired properties which partially funded by term loans.

Other Expenses

For 6 months ended, other expenses increased by S$1.2 million or 20.7% from S$5.8 million during 2H2021 to S$7.0 million during 2H2022. For 12 months ended, other expenses increased by S$2.5 million or 23.6% from S$10.6 million during FY2021 to S$13.1 million during FY2022. The increase mainly due to the increase in:

- hire of motor vehicles of S$0.8 million, mainly is to meet the increasing demand for goods delivery to customer sites;
- property tax of S$0.6 million, mainly due to 4 newly acquired properties completed in April 2021, October 2021, February 2022 and November 2022 respectively;
- utilities of S$0.5 million, mainly due to the increase of utilities rate and usage, which lead to higher utilities incurred during the year as compared to last year;
- upkeep of motor vehicles of S$0.5 million, mainly due to the increase of diesel price and also the increasing demand for goods delivery to customer sites lead to higher diesel consumption;
- credit card transactions fee of S$0.2 million, mainly due to higher cash receipts from customers via credit card settlements;
- travelling expense of S$0.2 million, mainly incurred for business trips, with the ease of border restrictions; and
- advertisement and promotion expense of S$0.1 million, mainly incurred for promoting brand image.

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

For 6 months ended, share of profit from associate amounted to S$2.1 million (2H2021: share of profit of S$1.3 million). For 12 months ended, share of profit from associate amounted to S$3.7 million (FY2021: share of profit of S$1.2 million). The increase was mainly due to the improved business performance of the associate during the year.

Share of Profits from Equity-Accounted Joint Ventures

For 6 months ended, share of profits from joint ventures amounted to S$0.2 million (2H2021: share of losses of S$27,000). For 12 months ended, share of profits from joint ventures amounted to S$0.4 million (FY2021: share of profits of S$0.4 million).

Profit Before Income Tax

For 6 months ended, the group has generated a profit before tax of S$24.4 million as compared to a profit before tax of S$8.7 million in 2H2021. For 12 months ended, the group has generated a profit before tax of S$37.6 million as compared to a profit before tax of S$15.1 million in FY2021.

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

Profit Before Income Tax (cont'd)

For 6 months ended, excluding share of profit from associate and share of losses from joint ventures amounting to S$2.3 million for 2H2022 (2H2021: S$1.2 million), profit before income tax incurred from recurring activities was S$22.1 million for 2H2022 (2H2021: S$7.4 million). For 12 months ended, excluding share of profit from associate and share of losses from joint ventures amounting to S$4.0 million for FY2022 (FY2021: S$1.6 million), profit before income tax incurred from recurring activities was S$33.6 million for FY2022 (FY2021: S$13.6 million), of which comprised of net rental income of S$3.2 million, sales of solar energy of S$0.4 million, foreign exchange adjustments gain of S$0.2 million, gains on disposal of plant and equipment of $0.2 million and government grants of S$0.4 million. The net rental income of S$3.2 million is net of direct operating expenses of S$2.0 million.

With reference to the above revenue section, the much better business performance for FY2022 was chiefly due to the confluence of the various positive market factors which include active resale market, robust demand from home buyers as well as the pent-up demand during FY2022.

Other Comprehensive Income (Loss)

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. For 6 months ended, income tax expense amounted to S$4.6 million (2H2021: S$1.8 million). The increase in income tax expense was due to higher taxable profit during the year. For 12 months ended, income tax expense amounted to S$6.9 million (FY2021: S$2.8 million). The increase in income tax expense was due to higher taxable profit during the year.

Non-Current Assets

Non-current assets increased by S$85.0 million or 44.5% from S$191.2 million as at 31 December 2021 to S$276.2 million as at 31 December 2022.

Property, plant and equipment increased by S$9.5 million or 10.0% from S$94.6 million as at 31 December 2021 to S$104.1 million as at 31 December 2022. The increase was mainly due to addition of property, plant and equipment amounting to S$20.6 million during FY2022. The increase is partially offset by the depreciation expense amounting to S$6.6 million, reclassification of property, plant and equipment of S$4.0 million to investment property, disposal of plant and equipment of S$0.1 million and foreign exchange adjustments of S$0.4 million during the year.

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

Non-Current Assets (cont'd)

The additions of property, plant and equipment mainly comprised of:

a) Purchase of a leasehold property for own use located at 28 Loyang Crescent Singapore 508990 amounting to S$9.0 million (inclusive of stamp duty) by its subsidiary, Hafary Crescent Pte. Ltd.;
b) Purchase of a leasehold property for partially own use located at 161 Lavender Street Singapore 338750 amounting to S$2.8 million (inclusive of stamp duty) by its subsidiary, Hafary Flagship Store Pte. Ltd.; and
c) Purchase of plant and equipment including the improvement work at 11 Changi North Way amounting to S$8.8 million.

The right-of-use assets comprised of leasehold lands (land use rights relating to group's leasehold properties in Singapore and China) and leases of premises. Right-of-use assets increased by S$60.3 million or 84.2% from S$71.8 million as at 31 December 2021 to S$132.1 million as at 31 December 2022. The increase was due to the capitalisation of right-of-use assets in relation to the leases of S$63.3 million during the year and partially offset by depreciation of S$2.5 million and foreign exchange adjustments of S$0.3 million.

Investment in associate increased by S$1.9 million or 10.9% from S$17.5 million as at 31 December 2021 to S$19.4 million as at 31 December 2022. The increase was mainly due to share of profit amounting to S$3.7 million from VCI and partially offset by distribution of dividend amounting to S$1.1 million and exchange differences on translating associate with foreign operation amounting to S$0.7 million.

Investment in joint ventures is remained constant at S$2.8 million as at 31 December 2021 and 31 December 2022. The movement during the year mainly comprised of share of profits amounting to S$0.3 million and offset by dividends amounting to S$0.1 million from joint ventures and exchange differences on translating joint ventures with foreign operation amounting to S$0.2 million.

Investment properties increased by S$13.2 million or 316.8% from S$4.2 million as at 31 December 2021 to S$17.4 million as at 31 December 2022. The increase was mainly due to addition of investment property amounting to S$9.6 million during FY2022 and reclassification of property, plant and equipment of S$4.0 million to investment property. The increase is partially offset by the depreciation expense amounting to S$0.3 million.

The carrying value of investment properties comprised of:

a) 161 Lavender Street Singapore 338750 amounting to S$9.5 million;
b) 532 Balestier Road Singapore 329859 amounting to S$4.1 million; and
c) 51 Middle Road Singapore 188959 amounting to S$3.8 million.

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

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

Current Assets

Current assets increased by S$32.5 million or 34.3% from S$94.8 million as at 31 December 2021 to S$127.3 million as at 31 December 2022.

The increase was mainly due to increase in trade and other receivables of S$17.6 million, inventories of S$10.7 million and cash and cash equivalents of S$5.4 million. The increase is partially offset by decrease in other non-financial assets of S$1.3 million.

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

Trade receivables turnover day is 90 days as at 31 December 2022 compared to 77 days as at 31 December 2021. Inventory turnover day is 238 days as at 31 December 2022 compared to 250 days as at 31 December 2021.

Non-Current Liabilities

Non-current liabilities increased by S$60.9 million or 48.2% from S$126.4 million as at 31 December 2021 to S$187.3 million as at 31 December 2022. The increase was mainly due to increase in bank loans and lease liabilities of S$60.1 million and S$0.9 million respectively. As of 31 December 2022, the group's property loans borrowing rates varies between 1.3% to 5.76%.

Current Liabilities

Current liabilities increased by S$38.0 million or 46.2% from S$82.2 million as at 31 December 2021 to S$120.2 million as at 31 December 2022.

The increase was mainly attributable to the increase in income tax payable of S$4.5 million, loans and borrowings of S$21.0 million, trade and other payables of S$9.0 million and other non-financial liabilities of S$3.3 million.

The provision is pertaining to provision of rebate to customers.

Total amount of trade payables and trust receipts and bills payable to banks was S$38.0 million as at 31 December 2022 (31 December 2021: S$27.1 million). The turnover of the aforesaid items (based on cost of sales) is 174 days as at 31 December 2022 compared to 142 days as at 31 December 2021.

The increase in loans and borrowings was mainly due to increase in trust receipts and bill payables by S$7.3 million and short-term loans by S$14.7 million. The increase is partially offset by the repayment of short-term loan amounting to S$1.0 million.

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

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

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

Cash Flows Review

2H2022

Net cash flows from operating activities was S$22.3 million due to operating cash flows before working capital changes of S$29.5 million, net cash flows used in working capital of S$6.0 million and income tax paid of S$1.2 million. The net cash flows used in working capital of S$6.0 million was mainly attributable by the increase in trade and other receivables of S$16.8 million, increase in inventories of S$2.3 million and derivative financial assets of S$0.1 million. This was partially offset by the increase in trade and other payables of S$8.8 million, other non-financial liabilities of S$3.4 million, other non-financial assets of S$0.8 million and provision of S$0.2 million.

Net cash flows used in investing activities amounting to S$77.4 million was mainly attributable by upfront payment for right-of-use assets of S$61.1 million, purchase of investment property of S$9.6 million and purchase of plant and equipment of S$8.8 million. This was partially offset by the deposit paid for property acquisition of S$0.7 million, net movements in amount due from joint ventures of S$0.4 million, dividend income from an associate of S$0.4 million, proceeds from disposal of plant and equipment of S$0.3 million, proceeds from disposal of quoted securities of S$0.2 million and interest income received of S$0.1 million.

Net cash flows from financing activities amounting to S$60.4 million was mainly attributable by the increase in borrowings of S$71.3 million. This was partially offset by the decrease in loans and borrowings of S$4.3 million, dividends paid to equity owners of S$3.2 million, repayment of interest expense of S$2.1 million, repayment of lease liabilities of S$0.8 million and decrease in trust receipt and bill payable of S$0.5 million.

As a result of the above, there was a net increase of S$5.3 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2022 was S$11.5 million.

FY2022

Net cash flows from operating activities was S$28.3 million due to operating cash flows before working capital changes of S$47.2 million, net cash flows used in working capital of S$16.4 million and income tax paid of S$2.5 million. The net cash flows used in working capital of S$16.4 million was mainly attributable by the increase in trade and other receivables of S$20.3 million, inventories of S$10.8 million and derivative financial assets of S$0.1 million. This was partially offset by the decrease in other non-financial assets of S$1.1 million and increase in trade and other payables of S$10.2 million, other non-financial liabilities of S$3.3 million and provision of S$0.2 million.

Net cash flows used in investing activities amounting to S$86.4 million was mainly attributable by upfront payment for right-of-use assets of S$61.1 million, purchase of plant and equipment of S$19.3 million and purchase of investment property of S$9.6 million. This was partially offset by the repayment of loan principal from an associate of S$1.4 million, dividend income from an associate and a joint venture of S$1.1 million and S$0.1 million respectively, net movements in amount due from joint ventures of S$0.4 million, proceeds from disposal of plant and equipment of S$0.3 million, proceeds from disposal of quoted securities of S$0.2 million and interest income received of S$0.1 million.

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

Cash Flows Review (cont'd)

FY2022 (cont'd)

Net cash flows from financing activities amounting to S$63.6 million was mainly attributable by the increase in borrowings of S$83.9 million and trust receipt and bill payable of S$7.3 million. This was partially offset by decrease in loans and borrowings of S$10.1 million, dividends paid to equity owners of S$6.5 million, repayment of interest expense of S$3.9 million, dividends paid to non-controlling interests of S$0.9 million, repayment of lease liabilities of S$1.6 million, net movements in amounts due to a shareholder of S$1.1 million, net movements in amounts due to a director cum a shareholder of S$0.5 million and acquisition of non-controlling interest of S$3.0 million.

As a result of the above, there was a net increase of S$5.5 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2022 was S$11.5 million.

3. Forecast, or a prospect statement

There was no forecast or a prospect statement.

4. Significant trends and competitive conditions of the industry

Singapore

According to the Building and Construction Authority (BCA) media release on 12 January 2023, BCA projects the total construction demand in 2023 (i.e. the value of construction contracts to be awarded) to range between S$27 billion and S$32 billion.

The public sector is expected to contribute about 60 per cent of the total construction demand, between S$16 billion and S$19 billion. This is supported by a continued strong pipeline of public housing projects amid Housing Development Board's (HDB) ramping up of Build-To-Order (BTO) flats supply.

The private sector construction demand is projected to be between S$11 billion and S$13 billion in 2023, comparable with 2022 figures. Both residential and industrial building construction demand are expected to be similar to last year's level, underpinned by the development of new condominiums and high-specification industrial buildings.

Malaysia

According to a Malaysia construction market research report, the construction industry is expected to record an annual average growth (AAGR) of more than 5% between 2023 and 2026, driven by investment in large-scale transport and energy projects. The key sectors in the Malaysia construction market are residential, infrastructure, energy and utilities, commercial, institutional, and industrial construction.

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

Malaysia (cont'd)

The residential sector Is expected to grow owing to Malaysia's rising population, increasing urbanization, and government investment in affordable housing programs. More than 67,000 units of affordable houses were approved for construction under the Federal Territories Ministry's Residensi Wilayah Keluarga Malaysia housing project as of May 2022.

The commercial construction sector growth will be supported by new investment in hospitality, accommodation, and retail buildings with the easing of coronavirus (COVID-19) restrictions since May 2022.

Market overview

The three-month Singapore Overnight Rate Average (SORA) is expected to reach 3.3 to 3.5 per cent in the first quarter of 2023. The impact of rising rates on potential home owners whose loan capacities are being crimped because of rising rates. There is also a fear of job cuts / retrenchments if a recession hits.

According to the Monetary Authority of Singapore (MAS) said on 27 October 2022, the Singapore economy is projected to slow further at a below-trend pace in 2023 amid growing challenges in the external environment. With that, overall labour demand "should soften somewhat" alongside a moderation in wage growth, the central bank added in its latest half-yearly macroeconomic review.

The unfulfilled pent-up consumption demand may likely to go towards overseas travel, rather than domestic spending. For construction, labour shortages and elevated costs of construction materials will weigh on the outlook even as activity continues to pick up in 2023.

The global inflationary and hike in interest rate has weakened the global economic condition. Nevertheless, the Group remains committed to weathering the challenging business environment as market risks remain elevated and will also closely monitor its supply chain activities.

The above information is sourced from:

1. *BCA's media release on 12 January 2023 – https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/singapore-construction-demand-to-remain-strong-in-2023-media-release.pdf?sfvrsn=d8e11722_2*

2. *Malaysia Construction Market Report Overview published on 28 November 2022 – https://www.globaldata.com/store/report/44alaysia-construction-market-analysis-2/#:~:text=What%20is%20the%20Malaysia%20construction,5%25%20during%202023%2D2026.*

3. *Mortgage outlook for 2023 published on 15 December 2022 - https://www.channelnewsasia.com/singapore/mortgage-home-loan-rates-rising-owners-expect-rents-us-fed-3146526*

4. *Singapore economy to slow further in 2023 amid global challenges published on 27 October 2022 - https://www.channelnewsasia.com/singapore/singapore-economy-2023-external-headwinds-mas-review-inflation-labour-demand-3027936*

5. Dividend

5A. Dividend declared for the current financial period

	FY2022		
Name of Dividend	Interim Dividend Exempt (1-tier)	Special Interim Dividend Exempt (1-tier)	Interim Dividend Exempt (1-tier) [Paid on 2 September 2022]
Type of Dividend	Cash	Cash	Cash
Total number of issued ordinary shares (‘000)	430,550	430,550	430,550
Dividend per share	0.75 cent	0.75 cent	0.75 cent

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

	FY2021	
Name of Dividend	Final Dividend Exempt (1-tier)	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash	Cash
Total number of issued ordinary shares (‘000)	430,550	430,550
Dividend per share	0.75 cent	0.75 cent

5C. Date payable

To be announced later.

5D. Record date

To be announced later.

6. Interested person transactions

Name of interested person and nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920) 12 months ended 31 December		Aggregate value of all IPTs conducted under IPT Mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 12 months ended 31 December	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Purchases of goods:				
MML Marketing Pte Ltd	–	–	1,949	5,333
Malaysian Mosaics Sdn Bhd	–	–	7,296	186
Sales of goods:				
Malaysian Mosaics Sdn Bhd	–	–	–	397
Tapmugliston Pte Ltd	197	–	–	–
Rental income:				
The Assembly Place Pte Ltd	101	–	–	–
Staff secondment fees:				
MML Marketing Pte Ltd	–	103	–	–
Aggregate value of transactions under the Associate of the Group's Controlling Shareholder, Hap Seng Consolidated Berhad	–	103	9,245	5,916

General mandate for IPT was renewed at the Extraordinary General Meeting held on 26 October 2022.

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

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

8. Review of performance of the Group – Turnover and earnings

Please refer to section 2 of this announcement for the full year ended 31 December 2022.

9. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Name	Age	Family relationship with any director and / or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Low Kok Ann	74	Father of Low See Ching	Executive Director (since 2009) and Chief Executive Officer ("CEO") (since 2014)	No change
Low See Ching	47	Son of Low Kok Ann	Non-Executive Director (since 2014)	No change

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

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

11. Confirmation by the board

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

By Order of the Board

Low Kok Ann
Executive Director and Chief Executive Officer

Low See Ching
Non-Independent Non-Executive Director

17 February 2023