



HAFARY HOLDINGS LIMITED

合發利控股有限公司

Company Registration No. 200918637C

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

Unaudited Financial Statements and Dividend Announcement For the Half Year Ended 30 June 2020 ("HY2020")

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HAFARY HOLDINGS LIMITED

For the Financial Period Ended 30 June 2020

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

	Group		
	HY2020	HY2019	Increase
	(6 months)	(6 months)	(Decrease)
	S\$'000	S\$'000	%
Revenue	30,072	51,472	(41.6)
Interest Income	43	40	7.5
Other Gains	1,720	96	N.M.
Changes In Inventories Of Goods Held For Resale	3,274	(1,193)	N.M.
Purchases And Related Costs	(19,609)	(28,136)	(30.3)
Employee Benefits Expense	(7,930)	(9,756)	(18.7)
Amortisation And Depreciation Expense	(3,833)	(3,806)	0.7
Impairment Losses	(947)	(432)	119.2
Other Losses	(36)	(2)	N.M.
Finance Costs	(1,821)	(2,282)	(20.2)
Other Expenses	(3,041)	(3,964)	(23.3)
Share Of Profit From An Equity-Accounted Associate	551	1,604	(65.6)
Share Of Losses From Equity-Accounted Joint Ventures	(382)	(145)	163.4
(Loss) Profit Before Income Tax	(1,939)	3,496	N.M.
Income Tax Income (Expense)	277	(613)	N.M.
(Loss) Profit , Net of Tax	(1,662)	2,883	N.M.
<u>Other Comprehensive Income (Loss):</u>			
Items That May Be Reclassified Subsequently To Profit Or Loss:			
Exchange Differences On Translating Foreign Operations, Net Of Tax	681	(196)	N.M.
Total Other Comprehensive Income (Loss) For The Period, Net Of Tax	681	(196)	N.M.
Total Comprehensive (Loss) Income	(981)	2,687	N.M.
(Loss) Profit, Net Of Tax Attributable To:			
- Owners Of The Parent	(1,690)	2,996	N.M.
- Non-Controlling Interests	28	(113)	N.M.
	(1,662)	2,883	N.M.
Total Comprehensive (Loss) Income Attributable To:			
- Owners Of The Parent	(1,009)	2,800	N.M.
- Non-Controlling Interests	28	(113)	N.M.
	(981)	2,687	N.M.

Note:

(1) N.M. = Not meaningful

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

	Group		
	HY2020	HY2019	Increase/
	(6 months)	(6 months)	(Decrease)
	S\$'000	S\$'000	%
Interest Expense On Borrowings	(1,653)	(2,094)	(21.1)
Interest Expense On Lease Liabilities	(168)	(188)	(10.6)
Interest Income	43	40	7.5
Depreciation Of Investment Property	(9)	(9)	-
Depreciation Of Property, Plant And Equipment	(2,387)	(2,439)	(2.1)
Depreciation Of Right-of-Use Assets	(1,437)	(1,358)	5.8
Allowance For Impairment Of Trade Receivables	(139)	(20)	N.M.
Allowance For Impairment Of Trade Receivables, Reversal	65	4	N.M.
Bad Debts Recovered - Trade Receivables	16	5	220.0
Bad Debts Written-Off - Trade Receivables	-	(5)	N.M.
Bad Debts Written-Off - Other Receivables	-	(24)	N.M.
Net Allowance For Impairment Of Inventories	(889)	(392)	126.8
Foreign Exchange Adjustment Loss	(36)	(2)	N.M.
Fair Value Gain On Derivative Financial Instruments, Net	34	17	100.0
Gain On Disposal Of Plant And Equipment	1	1	-
Government Grants	1,685	39	N.M.
Adjustment For (Under) Over Provision Of Tax In Respect Of Prior Years	(2)	1	N.M.

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

	Group		Company	
	30 June 2020 S\$'000	31 December 2019 S\$'000	30 June 2020 S\$'000	31 December 2019 S\$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	72,800	76,631	314	360
Right-of-Use Assets	38,888	40,244	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in an Associate	16,657	15,620	-	-
Investments in Joint Ventures	2,169	2,503	-	-
Investment Property	4,201	4,210	-	-
Deferred Tax Assets	561	-	-	-
Other Financial Assets, Non-current	522	522	522	522
Other Receivables, Non-current	-	137	-	-
Total Non-Current Assets	135,798	139,867	10,075	10,121
Current Assets:				
Inventories	57,516	54,178	-	-
Trade and Other Receivables, Current	25,930	31,905	30,355	29,531
Derivative Financial Assets	11	-	-	-
Other Assets, Current	5,507	5,470	2	7
Cash and Cash Equivalents	6,326	7,559	10	60
Total Current Assets	95,290	99,112	30,367	29,598
Total Assets	231,088	238,979	40,442	39,719
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,930	26,930	26,930	26,930
Retained Earnings	39,706	43,549	1,367	2,413
Other Reserves	(835)	(1,516)	-	-
Equity, Attributable to Owners of the Parent	65,801	68,963	28,297	29,343
Non-Controlling Interests	1,912	2,024	-	-
Total Equity	67,713	70,987	28,297	29,343
Non-Current Liabilities:				
Deferred Tax Liabilities	506	476	-	-
Other Financial Liabilities, Non-current	81,421	77,673	-	-
Lease Liabilities, Non-current	9,840	10,319	125	156
Total Non-Current Liabilities	91,767	88,468	125	156
Current Liabilities:				
Provision	179	636	-	-
Income Tax Payable	2,114	1,863	5	5
Trade and Other Payables	13,765	17,141	11,969	10,178
Derivative Financial Liabilities	-	23	-	-
Other Financial Liabilities, Current	49,761	55,311	-	-
Lease Liabilities, Current	975	1,361	46	37
Other Liabilities	4,814	3,189	-	-
Total Current Liabilities	71,608	79,524	12,020	10,220
Total Liabilities	163,375	167,992	12,145	10,376
Total Equity and Liabilities	231,088	238,979	40,442	39,719

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For the Financial Period Ended 30 June 2020

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.**Amount repayable in one year or less, or on demand**

	Group			
	As at 30 June 2020		As at 31 December 2019	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	36,101	-	39,517	-
Trust Receipts and Bills Payable to Banks	13,660	-	15,794	-
	49,761	-	55,311	-

Amount repayable after one year

	Group			
	As at 30 June 2020		As at 31 December 2019	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	81,421	-	77,673	-
	81,421	-	77,673	-

Details of collaterals relating to the above borrowingsBank Loans

There are covered by:

- (a) corporate guarantees given by the company and a subsidiary;
- (b) first legal mortgage over leasehold properties and land use rights; and
- (c) legal assignment of current and future rental proceeds and insurance proceeds in respect of a leasehold property.

Borrowing drawn down in relation to the acquisition and development of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 by a subsidiary is secured by first legal mortgage over the leasehold property. It is also covered by joint and several corporate guarantees from the company and a subsidiary, personal guarantees from a director and a substantial shareholder.

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

Trust Receipts and Bills Payable to Banks

These are covered by corporate guarantees given by the company.

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For the Financial Period Ended 30 June 2020

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

	Group	
	HY2020	HY2019
	(6 months)	(6 months)
	S\$'000	S\$'000
Cash Flows From Operating Activities		
(Loss) Profit Before Income Tax	(1,939)	3,496
Adjustments For:		
Interest Expense On Borrowings	1,653	2,094
Interest Expense On Lease Liabilities	168	188
Interest Income	(43)	(40)
Share Of Profit From An Equity-Accounted Associate	(551)	(1,604)
Share Of Losses From Equity-Accounted Joint Ventures	382	145
Rental Rebates	(37)	-
Depreciation Of Investment Property	9	9
Depreciation Of Property, Plant And Equipment	2,387	2,439
Depreciation Of Right-of-Use Assets	1,437	1,358
Gain On Disposal Of Plant And Equipment	(1)	(1)
Net Effect Of Exchange Rate Changes In Consolidating Subsidiaries	(46)	97
Operating Cash Flows Before Changes In Working Capital	3,419	8,181
Inventories	(3,338)	2,166
Trade And Other Receivables	6,154	2,069
Other Assets, Current	(37)	(552)
Provision	(457)	(262)
Trade And Other Payables	(4,676)	(4,320)
Derivative Financial Liabilities	(34)	(17)
Other Liabilities	1,625	501
Net Cash Flows From Operations	2,656	7,766
Income Taxes Paid	(2)	(919)
Net Cash Flows From Operating Activities	2,654	6,847
Cash Flows From Investing Activities		
Purchase Of Property, Plant And Equipment	(329)	(460)
Proceeds From Disposal Of Plant And Equipment	25	45
Overpayment of Land Premium	1,846	-
Interest Income Received	1	409
Net Movements In Amount Due From An Associate	-	(1,357)
Net Cash Flows From (Used In) Investing Activities	1,543	(1,363)
Cash Flows From Financing Activities		
Dividends Paid To Equity Owners	-	(2,153)
Dividends Paid To Non-Controlling Interests	(140)	(75)
Decrease In Trust Receipts And Bills Payable	(2,133)	(6,142)
Net Movements In Amounts Due To A Director and A Shareholder	(331)	53
Net Movements In Amounts Due To A Shareholder	(499)	-
Lease Liabilities - Principal Portion Paid*	(991)	(1,141)
Increase From New Borrowings	5,000	7,900
Repayment Of Bank Loans	(4,669)	(2,199)
Interest Expense Paid	(1,681)	(2,121)
Net Cash Flows Used In Financing Activities	(5,444)	(5,878)
Net Decrease In Cash And Cash Equivalents	(1,247)	(394)
Net Effect Of Exchange Rate Changes On Cash And Cash Equivalents	14	(10)
Cash And Cash Equivalents, Beginning Balance	7,559	6,063
Cash And Cash Equivalents, Ending Balance	6,326	5,659

* Net of rental rebates of S\$37,000

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For the Financial Period Ended 30 June 2020

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

GROUP	Total Equity S\$'000	Attributable to Parent Subtotal S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Other Reserve (Note 1) S\$'000	Non-Controlling Interests S\$'000
Current Period:						
Opening Balance at 1 January 2020	70,987	68,963	26,930	43,549	(1,516)	2,024
Total Comprehensive (Loss) Income for the Period	(981)	(1,009)	-	(1,690)	681	28
Dividends Paid (Note 2)	(2,153)	(2,153)	-	(2,153)	-	-
Dividends Paid to Non-Controlling Interests	(140)	-	-	-	-	(140)
Closing Balance at 30 June 2020	67,713	65,801	26,930	39,706	(835)	1,912
Previous Period:						
Opening Balance at 1 January 2019	65,893	63,712	26,930	37,768	(986)	2,181
Total Comprehensive Income (Loss) for the Period	2,687	2,800	-	2,996	(196)	(113)
Dividends Paid (Note 2)	(2,153)	(2,153)	-	(2,153)	-	-
Dividends Paid to Non-Controlling Interests	(75)	-	-	-	-	(75)
Closing Balance at 30 June 2019	66,352	64,359	26,930	38,611	(1,182)	1,993

Note 1:

Other Reserves	Group	
	30 Jun 2020 S\$'000	30 Jun 2019 S\$'000
Foreign Currency Translation Reserve	(835)	(1,182)

Note 2:

Dividends on Equity Shares	HY2020 S\$'000	HY2019 S\$'000
Final tax exempt (1-tier) dividend paid of:		
- 0.5 cent per share on total number of issued ordinary shares of 430,550,000	2,153	2,153
	2,153	2,153

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

COMPANY	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000
Current Period:			
Opening Balance at 1 January 2020	29,343	26,930	2,413
Total Comprehensive Income for the Period	1,107	-	1,107
Dividends Paid (Note 2)	(2,153)	-	(2,153)
Closing Balance at 30 June 2020	28,297	26,930	1,367
Previous Period:			
Opening Balance at 1 January 2019	29,183	26,930	2,253
Total Comprehensive Income for the Period	26	-	26
Dividends Paid (Note 2)	(2,153)	-	(2,153)
Closing Balance at 30 June 2019	27,056	26,930	126

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

There have been no changes in the Company's issued share capital since 31 December 2019. The Company has no outstanding share options, outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

The Company has not granted options or shares under its share scheme during the financial period ended 30 June 2020.

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

Company	
30 June 2020	31 December 2019
430,550,000	430,550,000

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

The Company has no treasury shares as at 30 June 2020 and there were no sale transfer, disposal and/ or use of treasury shares during HY2020.

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

There was no subsidiary holdings during the financial period ended 30 June 2020.

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

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

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

Not applicable.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited annual financial statements as at 31 December 2019.

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

The Group adopted all of the new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I) ("SFRS(I) INT") that are relevant to its operations and are effective for first-time adoption. The adoption of these new and revised SFRS(I) and SFRS(I) INT has no material effect on the amounts reported for the current reporting periods.

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For the Financial Period Ended 30 June 2020

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

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

	Group	
	HY2020	HY2019
	(6 months)	(6 months)
EPS:		
(a) Basic	(0.39 cents)	0.70 cents
(b) Fully diluted basis	(0.39 cents)	0.70 cents

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

Dilutive earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective period.

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For the Financial Period Ended 30 June 2020

7 Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and**
(b) immediately preceding financial year.

	Group		Company	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Net asset value ("NAV") per ordinary share based on the total number of issued shares	15.3 cents	16.0 cents	6.6 cents	6.8 cents

Note:

NAV per ordinary share is calculated based on 430,550,000 ordinary shares in issue as at 30 June 2020 and 31 December 2019.

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

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

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

For 1H2020, the Group registered a revenue of S\$30.1 million compared to S\$51.5 million during 1H2019.

The revenue mainly 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) decreased by S\$11.4 million or 39.0% from S\$29.2 million during HY2019 to S\$17.8 million during HY2020. The decrease was mainly due to temporary closure of Group's retail showrooms in Singapore since 7 April 2020 to 18 June 2020 following the imposition of the nationwide Circuit Breaker by Singapore Government to curb the outbreak of Corona Virus Disease ("Covid-19").

Project segment

For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) decreased by S\$9.9 million or 48.1% from S\$20.6 million during HY2019 to S\$10.7 million during HY2020. The lower revenue recognition was attributed to the adverse impact from the Covid-19 pandemic resulting in delays in the execution and completion of existing projects. Construction industry had been severely hit by manpower shortages due to the outbreak of infections among foreign workers, especially those living in dormitories.

Interest Income

For HY2020, 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 HY2019, interest income mainly derived from a loan of US\$2 million (equivalent to approximately S\$2.7 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their business expansion in Vietnam.

Other Gains

For HY2020, other gains mainly comprised of government grants of S\$1.7 million for Covid-19 pandemic. There are various relief measures and support from the Singapore government, including property tax rebates, jobs support scheme, 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.

For HY2019, other gains mainly comprised of fair value gain on derivative financial instruments, compensation received and government grant amounted to S\$0.1 million.

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 HY2020 and HY2019, other losses mainly comprised of foreign exchange adjustments losses.

8(a) Material factors that affected turnover, costs and earnings (Continued)**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 decreased by S\$13.0 million or 44.3% from S\$29.3 million during HY2019 to S\$16.3 million during HY2020. The decrease in revenue led to a corresponding decrease in the cost of sales.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income) and cost of sales, without taking into account labor costs and overheads) of 42.5% for HY2020 has slightly improved as compared to 41.1% for HY2019.

Employee Benefits Expense

For 6 months ended, employee benefits expenses decreased by S\$1.9 million or 18.7% from S\$9.8 million during HY2019 to S\$7.9 million during HY2020. 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 30 June 2020, the Group had 350 employees (including directors) (31 December 2019: 359).

Amortisation and Depreciation Expense

For HY2020 and HY2019, amortisation and depreciation expenses remain constant at S\$3.8 million.

Impairment Losses

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

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

For 6 months ended, the impairment losses increased by S\$0.5 million or 119.2 % from S\$0.4 million during HY2019 to S\$0.9 million during HY2020. The increase mainly due to the increase in allowance for impairment of inventories.

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

Finance Costs

For 6 months ended, finance costs decreased by S\$0.5 million or 20.2% from S\$2.3 million during HY2019 to S\$1.8 million during HY2020. The decrease was due to lower interest rate during HY2020 as compared to HY2019 (certain banking facilities are pegged to benchmark interest rates in Singapore, such as SIBOR – which gradually reduced from end February 2020 to June 2020).

Other Expenses

For 6 months ended, other expenses decreased by S\$1.0 million or 23.3% from S\$4.0 million during HY2019 to S\$3.0 million during HY2020. The decrease in other expenses was due to business suspension during Circuit Breaker period, which led to lesser operating costs incurred during the period.

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

Share of Profit from an Equity-Accounted Associate

For 6 months ended, share of profit from associate, Viet Ceramics International Joint Stock Company ("VCI"), decreased by S\$1.0 million or 65.6% from S\$1.6 million during HY2019 to S\$0.6 million during HY2020. The decrease was due to outbreak of Covid-19 pandemic.

Share of Losses from Equity-Accounted Joint Ventures

For 6 months ended, share of losses from joint ventures amounted to S\$0.4 million (HY2019: share of losses of S\$0.1 million). The increase in joint venture losses was mainly due to the outbreak of Covid-19 significantly affected the business operations in Myanmar, Singapore and China. The closure of Singapore and China business operations is imposed by local government to prevent the spread of Covid-19 infections.

(Loss) Profit Before Income Tax

For 6 months ended, the Group has incurred a loss before tax of S\$1.9 million as compared to a profit before tax of S\$3.5 million in HY2019. The Group's business operations in Singapore were inadvertently disrupted due to the outbreak of Covid-19 pandemic and strict containment measures implemented in Singapore.

For 6 months ended, excluding share of profits (losses) from associate and joint ventures amounting to S\$0.2 million for HY2020 (HY2019: S\$1.5 million), loss before income tax incurred from recurring activities was S\$2.1 million for HY2020 (HY2019: profit before income tax of S\$2.0 million).

Other Comprehensive Income (Loss)

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Income (Expense)

The income tax income mainly arising from the deferred tax income recognised and partially offset by corporate income tax expense. The deferred tax income was mainly due to pre-tax losses incurred during the period and recognition of deferred tax assets for HY2020. The deferred tax assets are recognised as it is probable that the related tax benefit will be realised. 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.

8(b) Material factors that affected cash flow, working capital, assets or liabilitiesNon-Current Assets

Non-current assets decreased by S\$4.1 million or 2.9% from S\$139.9 million as at 31 December 2019 to S\$135.8 million as at 30 June 2020.

Property, plant and equipment decreased by S\$3.8 million or 5.0% from S\$76.6 million as at 31 December 2019 to S\$72.8 million as at 30 June 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\$2.4 million, which the decrease was partially offset by the addition of plant and equipment amounting to S\$0.3 million and foreign exchange adjustments of S\$0.1 million during the period.

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\$1.4 million during the period.

The increase in investment in associate amounting to S\$1.0 million pertained to shares of profits amounting to S\$0.6 million from VCI and exchange differences on translating associate with foreign operation amounting to S\$0.4 million.

The decrease in investment in joint ventures amounting to S\$0.3 million pertained to shares of losses from joint ventures amounting to S\$0.4 million and partially offset by exchange differences on translating joint ventures with foreign operation amounting to S\$0.1 million.

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

Deferred tax assets of S\$0.6 million pertain to recognition of deferred tax assets on unutilised tax losses.

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

Other receivables pertained to reclassification from other receivable non-current to other receivable-current as the balance is expected to be settled within the next 12 months.

Current Assets

Current assets decreased by S\$3.8 million or 3.9% from S\$99.1 million as at 31 December 2019 to S\$95.3 million as at 30 June 2020.

The decrease was mainly due to decrease in trade and other receivables and cash and cash equivalent amounting to S\$7.1 million. The decrease was partially offset by the increase in inventories amounting to S\$3.3 million.

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

Trade receivables turnover day as at 30 June 2020 is 66 days compared to 91 days as at 31 December 2019. Inventory turnover day as at 30 June 2020 is 384 days compared to 333 days as at 31 December 2019. Lower trade receivables turnover days and higher inventory turnover days as compared to 31 December 2019 mainly due to lower revenue as a result from the closure of showrooms from 7 April 2020 to 18 June 2020 and delays in private and public projects during this Circuit Breaker period.

Non-Current Liabilities

Non-current liabilities increased by S\$3.3 million or 3.7% from S\$88.5 million as at 31 December 2019 to S\$91.8 million as at 30 June 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.

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For the Financial Period Ended 30 June 2020

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

Current Liabilities

Current liabilities decreased by S\$7.9 million or 10.0% from S\$79.5 million as at 31 December 2019 to S\$71.6 million as at 30 June 2020.

The decrease was mainly attributable to the decrease in trade and other payables of S\$3.4 million, other financial liabilities of S\$5.6 million, lease liabilities of S\$0.4 million and provision of S\$0.4 million. The decrease was partially offset by the increase in income tax payable of S\$0.3 million and other liabilities of S\$1.6 million.

The provision is pertaining to provision of rebate to customers. The decrease was mainly due to lower revenue generated as compared to previous period.

The increase in income tax payable was mainly due to the announcement in the Resilience Budget on 26 Mar 2020 that all companies with corporate income tax ("CIT") payments due in the months of Apr, May and June 2020 will be granted an automatic three-month deferment of these payments.

The decrease in trade and other payables was mainly due to lower purchases from suppliers during the Circuit Breaker period.

Total amount of trade payables and trust receipts and bills payable to banks was S\$17.6 million (31 December 2019: S\$21.1 million). The turnover of the aforesaid items (based on cost of sales) is 111 days as at 30 June 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 and temporary deferment of loan repayment instalment until the end of 2020.

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

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

8(b) Material factors that affected cash flow, working capital, assets or liabilities (Continued)Cash Flows Review**HY2020**

Despite a loss registered for the half year ended 30 June 2020, net cash flows from operating activities was S\$2.7 million due to operating cash flows before working capital changes of S\$3.5 million and net cash flows used in working capital of S\$0.8 million. The net cash flows from operating activities was mainly due to the realisation of trade receivables into cash during the financial period. The net cash flows used in working capital of S\$0.8 million was mainly attributable by the increase in inventories of S\$3.3 million and decrease in trade and other payables of \$4.7 million and provision of \$0.5 million respectively. This was partially offset by the decrease in trade and other receivables of S\$6.1 million, and increase in other liabilities of S\$1.6 million.

Net cash flows from investing activities amounting to S\$1.5 million for HY2020 was mainly attributable by the refund of S\$1.8 million for overpayment of land premium. This was partially offset by the cash outflow for the purchase of plant and equipment of S\$0.3 million.

Net cash flows used in financing activities amounting to S\$5.4 million for HY2020 was mainly attributable by the dividend paid to non-controlling interests of S\$0.1 million, decrease in trust receipts and bill payables of S\$2.1 million, repayment of interest expenses of S\$1.7 million, net movements in amount due to a director and a shareholder of S\$0.3 million, net movements in amount due to a shareholder of S\$0.5 million, repayment of lease liabilities of S\$1.0 million and repayment of bank loans S\$4.7 million. This was partially offset by the cash proceeds received from additional drawdown of bank loans of S\$5.0 million.

As a result of the above, there was a net decrease of S\$1.2 million in cash and cash equivalents for HY2020. Cash and cash equivalents as at 30 June 2020 was S\$6.3 million.

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

The Group had, on 20 July 2020, previously released a profit guidance announcement on the Group's unaudited financial results for 6 months ended 30 June 2020. There is no variance between the contents of the profit guidance announcement and the actual results.

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

Based on advance estimates released by the Ministry of Trade and Industry on 14 July 2020, the Singapore economy contracted by 12.6% y-o-y in the second quarter of 2020 ("2Q 2020"), due to the Circuit Breaker measures that were implemented. On a q-o-q seasonally-adjusted annualised basis, the economy shrank by 41.2% in 2Q 2020.

The construction sector contracted by 54.7 per cent on a y-o-y basis in the 2Q 2020, a significant deterioration from the 1.1 per cent decline in the previous quarter. Construction output weakened on account of the Circuit Breaker measures which led to a stoppage of most construction activities during the period, as well as manpower disruptions arising from additional measures to curb the spread of Covid-19, including movement restrictions at foreign worker dormitories. On a q-o-q seasonally-adjusted annualised basis, the construction sector shrank by 95.6 per cent in the 2Q 2020, far worse than the 12.2 per cent contraction in the preceding quarter.

In view of the Covid-19 pandemic, authorities in Singapore and other jurisdictions have imposed various measures that restrict movement and business operations. Such measures have and may continue to adversely impact the business and operations of the Group.

Reliefs provided by the Singapore Government in the form of rebates, waiver of foreign worker levies and wage support have helped defray part of the Group's fixed costs during the Circuit Breaker period.

Nevertheless, the uncertainty and challenges that the Covid-19 pandemic brings with it are unprecedented, and the extent of the impact on Group's financial performance for the rest of the year cannot be determined at this stage. 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.

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11 Dividend**(a) Dividend declared for the current financial period**

	HY2020
Name of Dividend	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.25 cent

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

No dividend was declared for HY2019.

(c) Date payable

To be announced later.

(d) Record date

To be announced later.

12 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

Please refer to 11(a) above.

13 Interested Person Transactions ("IPTs")

Name of Interested Persons and Nature of IPTs	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000)	
	Conducted under shareholders' mandate pursuant to Rule 920	Not conducted under shareholders' mandate pursuant to Rule 920
	HY2020 S\$'000	HY2020 S\$'000
Purchases of goods:		
Malaysian Mosaics Sdn Bhd	179	-
MML Marketing Pte Ltd	1,209	-
Sales of goods:		
Low See Ching (Non-Independent Non-Executive Director)	-	151

General mandate for IPT was renewed at the Annual General Meeting held on 22 June 2020.

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

We, Low Kok Ann and Low See Ching, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements for HY2020 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Low Kok Ann
Executive Director and Chief Executive Officer

14 August 2020