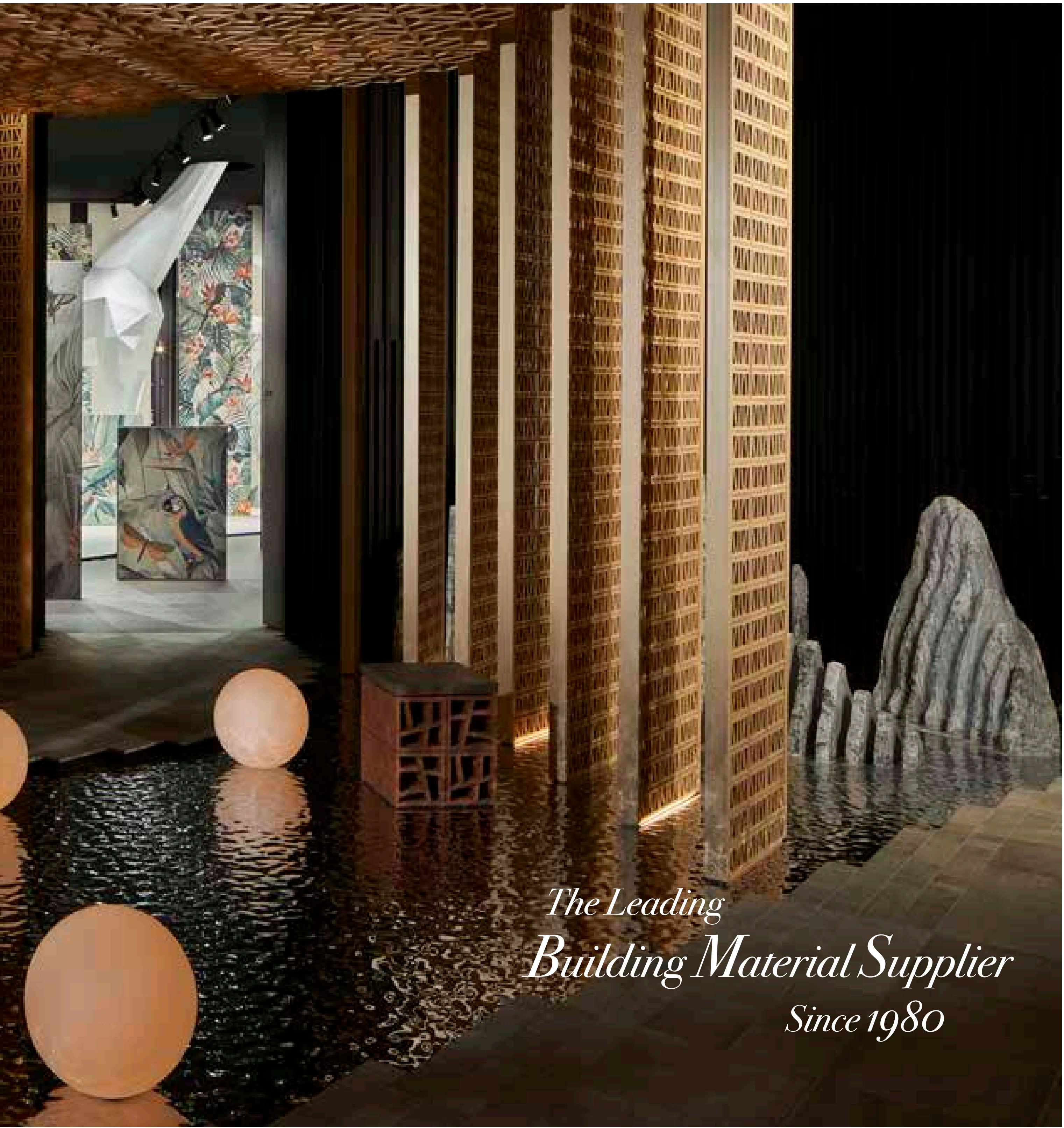
HAFARY

Holdings Limited

Annual Report 2022



CONTENTS

CORPORATE PROFILE

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

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

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

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

Hafary's Malaysia subsidiary, International Ceramic Manufacturing Hub Sdn Bhd, enable the Group to move upstream and overcome supply chain constraints as well as leverage on majority shareholder Hap Seng Consolidated Berhad's ("Hap Seng")'s MML brand and its distribution networks to grow sales in Malaysia and the regional export market.

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

General

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

Project

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

tiles

OUR PRODUCTS

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

stone

OUR PRODUCTS

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

counter tops

OUR PRODUCTS

Committed to delivering innovative surfacing solutions, we provide premium countertop surfaces to meet our clients' preference and requirements. Each of our countertop selection meets the highest level of international standards, giving customers assurance of the highest quality.

& vinyl wood

OUR PRODUCTS

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

CEO'S STATEMENT

On behalf of the Board of Directors of Hafary Holdings Limited ("**Hafary**", the "**Company**" or the "**Group**"), I am pleased to present to you our Annual Report for the financial year ended 31 December 2022 ("**FY2022**").

RESULTS REVIEW: A PIVOTAL 2022

The Group registered a revenue of S$168.9 million in FY2022, which was a year-on-year ("**YoY**") jump of 34.0% from FY2021's S$126.0 million. Growth came from both our Project segment and General (retail-centric) segment.

Following a challenging 2021 marred by pandemic-related restrictions, construction activities from the public and private sectors resumed in 2022. As the premier and leading building material supplier in Singapore, we managed to capitalise on the sector's recovery with great success. In FY2022, Hafary's Project segment reported revenue of S$59.7 million, translating to a YoY growth of 37.8%.

Simultaneously, the Group also benefitted from the rise in consumer-driven demand. Sales from the General segment grew 32.0% YoY from S$82.7 million in FY2021 to S$109.2 million in FY2022. The uptrend was driven by higher demand in the resale housing market caused by shortages in Built-To-Order flats. This led to more home renovation and refurbishment activities, and subsequently, more demand for our products.

Apart from the favourable cyclical tailwinds, the shift in consumer preference for large-format tiles has also favoured Hafary. Traditionally common in commercial uses, homeowners today are growing fond of those products due to their sleek aesthetic. Being an early mover in the introduction of large-format tiles through the expanded Hafary Gallery which was launched in August 2021, the Group is now reaping the reward of this growing minimalistic trend.

In tandem with the revenue increase, Hafary's profit after income taxes and non-controlling interest rose 153.6% from S$11.6 million in FY2021 to S$29.4 million in FY2022.

DIVIDENDS

As part of our commitment to deliver value to our shareholders, the Group has declared a total dividend of 2.25 Singapore cents per ordinary share. An Interim Dividend of 0.75 Singapore cents per ordinary share was declared on 10 August 2022 and subsequently paid out on 2 September 2022. Following that, the Board declared a Second Interim Dividend of 0.75 Singapore cents per ordinary share and a Special Interim Dividend of 0.75 Singapore cents per ordinary share on 20 February 2023, which was subsequently distributed on 7 March 2023. The Special Interim Dividend was reflective of our improved FY2022 financial performance.

SINGAPORE BUSINESS

Hafary Gallery: An award-winning showroom

With a comprehensive line of products that accurately matches consumer preference today, we continued to gain market share in Singapore in 2022. All four of our showrooms in Singapore have seen a rapid increase in footfall over the past year. This was especially true for the Hafary Gallery in Eunos which was expanded and reimagined in 2021. Relevant to the market trend, the expanded Hafary Gallery is the first showroom in Singapore devoted entirely to the showcase of large-format porcelain slabs.

Since then, the showroom has received widespread recognition from professional associations and the public for its architectural qualities. On 9 March 2022, Hafary won the Singapore Institute of Architects ("**SIA**") Architectural Design Awards 2021 in the category of Interior Architecture – Commercial, Merit, for the successful extension of the Hafary Gallery. The SIA Architectural Design Awards is the most prestigious award conferred by SIA to promote and encourage distinction in architectural design.

A month later, the Group was presented with the Tatler Homes Design Award for Readers' Choice: Best Showroom. The Tatler Homes Design Award celebrates the most innovative and creative projects in the local design scene.

Growing our retail footprint

Not resting on our laurels, market expansion remained one of our top priorities. With the shift in the consumer trend towards large format tiles and porcelain slabs, we believe that there is a great opportunity to increase our serviceable addressable market, especially with the extensive catalogue of products under the brand.

In 2022, we started laying the groundwork for our near-term expansion plan. On 8 July 2022, the Group, through its wholly-owned subsidiary Hafary Flagship Store Pte. Ltd., exercised an option-to-purchase to acquire a row of 11 contiguous conservation shophouses at 161 Lavender Street, Lavender Place, Singapore 338750 for a consideration of S$73.4 million (which includes stamp duty amounting to

S$2.1 million to be paid by the Purchaser in connection with the Proposed Transaction). The property has a 4-storey rear extension and 10 covered car parking lots.

Part of the location will be converted into our new flagship store. The space is well-suited to showcase a wider range of products. Location-wise, the property is conveniently situated within walking distance of Bendemeer MRT station and is only a 10-minute drive to the Central Business District. The high accessibility will allow us to better serve the needs of our retail customers in Singapore.

OVERSEAS INVESTMENTS

Vietnam

In Vietnam, Hafary operates via its associate company, Viet Ceramics International Joint Stock Company ("**VCI**"). VCI is a leading brand carrying an exclusive collection of tiles, wood flooring, sanitary ware and fittings.

In FY2022, VCI strengthened its market presence by re-opening three showrooms, bringing its total back to eleven. These new showrooms are located in major cities in Vietnam including Ho Chi Minh City, Da Nang, and Hanoi. With that, VCI has significantly enhanced its retail presence in the country, successfully positioning itself as one of the key players in the interior building materials industry.

Besides that, VCI also made great strides when it comes to project wins. In June 2022, it was entrusted by CapitaLand with the contract to supply the total bathroom solution package for a luxury apartment project, Heritage West Lake. With CapitaLand being a repeat customer, the contract win is a testament to the top-notch service quality and consistency of our Vietnam outfit. In December 2022, VCI was again awarded a big contract by Son Kim Land to supply the CONO faucet collection for The Crest Residence luxury apartment project.

China

In China, Hafary operates via its joint venture, Guangdong ITA Element Building Materials Co., Limited ("**ITA Element**"), with the brand name, *Element*.

In April 2022, ITA Element launched a luxury lifestyle gallery, TREND HUB in its exhibition hall at China Ceramic Industry Headquarters ("**CCIH**"). The gallery is designed to echo the Element's core tenet of Brand Driven Design ("**BDD**"), with excellent products and service experience at the heart of it all.

In the same month, ITA Element signed a strategic cooperation with Jia360.com (Tencent Home Decor). Jia360.com is a home furnishing portal, which commands a high number of active users. The cooperation allows ITA Element to leverage its partner's media resources to launch a full-scale brand expansion.

Apart from that, ITA Element has also announced a trilateral alliance with Hafary and jia360.com to launch a new intellectual property ("IP"), China-Singapore Design Communication Program. Since then, it has garnered support from over 300 influential and prestigious architects in China.

In May 2022, ITA Element officially opened its flagship store in Guiyang, the capital city of Guizhou. Located in Taisheng Shopping Centre, the store is located in a strategic area with high footfall. The new store offers an immersive retail experience, which is a focal point of its brand image.

In November 2022, ITA Element was awarded the Designer's Ceramic Brand of the Year and Innovative Ceramic Brand of the Year at the 2022 China Construction Ceramics Industry Green Intelligent Manufacturing Forum. The accolades were in recognition of its novel design of functionality and aesthetics.

Myanmar

In Myanmar, our joint venture company, Hafary Myanmar Co. Ltd. ("**Hafary Myanmar**") continued to face challenges in FY2022. The economic situation of the country has not recovered since the military coup in 2021. Given the difficulties, we will remain nimble and prudent in our operational strategies moving forward.

Malaysia

Besides growing the downstream business, we are also looking into building a more resilient value chain through the expansion into manufacturing. This vertical integration will not only strengthen the Group's control over our supply chain, potentially alleviating issues of shortages faced in the past, but also provide a significant opportunity to capture a larger pie of market share regionally.

In July 2022, the Group and its existing joint venture company in China, ITA Element, incorporated a new subsidiary, Hafary Element Pte. Ltd. ("**HEPL**"). Concurrently, it also entered into a joint venture agreement ("**JVA**") with CNA Pte. Ltd. ("**CNA**") to incorporate a new subsidiary company, International Ceramic Manufacturing Hub Pte. Ltd. ("**ICMHSG**") in Singapore, with the Group's portion being parked under HEPL. Following that, International Ceramic Manufacturing Hub Sdn. Bhd. ("**ICMHSB**") was incorporated as a wholly owned entity of ICMHSG to be the vehicle for our manufacturing arm in Malaysia.

Our partners were chosen due to their abilities in enhancing the synergy of the expansion project. ITA Element has an extensive track record in tiles design while CNA has ceramic tile manufacturing expertise in China and Malaysia.

ICMHSB will lease two manufacturing plants in Johor, Malaysia from a fellow subsidiary of our majority shareholder, Hap Seng Consolidated Berhad ("**Hap Seng**"). Following that, we intend to also invest approximately MYR40 million to ramp up the production capacity from 16,000m2 per day to 41,000m^2 per day.

CEO'S STATEMENT

Hap Seng's wholly owned subsidiary, Malaysian Mosaics Sdn. Bnd., owns a well-known ceramic tiles brand, *MML*, which is an established name among the domestic construction sector. This allows us to leverage the *MML* brand and Hap Seng's existing distribution channels. With that, we are looking beyond supplying to our strong distribution network in Singapore, but to expand our sales in the regional export market.

With the consolidation of the manufacturing and distribution divisions, there will be synergistic benefits to the Group moving forward, making us one of the most competent players in the industry.

OUTLOOK

According to the Ministry of Trade and Industry ("**MTI**"), Singapore's economy grew by 3.6% in 2022.[1] Meanwhile, the construction sector recovered steadily throughout the year, with a year-on-year growth rate for 6.5%.[2] Based on the preliminary data released by the Building and Construction Authority ("**BCA**"), total construction demand for 2022 reached S$29.8 billion[3].

Looking ahead, though China's easing of the zero-COVID policy will benefit Singapore's economy, uncertainties in the global economy remain prevalent at this point with monetary tightening and rising geopolitical tensions. Against this backdrop, MTI expects Singapore's GDP to maintain between 0.5% to 2.5% in 2023,[4] lower than the 3.6% recorded in 2022.

Focusing on the construction sector, BCA has projected total construction demand in 2023 to range between S$27 billion and S$32 billion.[5] The strong demand will be driven by the resilient growth in the public sector with an uptick in public housing projects as well as industrial and institutional buildings.

On the supply side, the Group expects issues of shortages in material and labour to improve in 2023. Furthermore, with our new manufacturing plants in Johor, Malaysia, we will also have greater control over our supply sources going forward.

As an industry leader and an important player in the supply chain, Hafary is set to benefit from the growth in the construction sector as well as the pent-up consumption demand and shifting architectural trends in the residential space.

DIGITALISATION

As part of our digitalisation efforts, Hafary launched Singapore's first mobile app for tiles and surfacing materials in 2019. Since then, we have continuously upgraded the user interface and various features of the app. The user-friendly browsing experience and the selection function have been successful in drawing customers to new arrivals and promotional items. Through the years, we have witnessed a growing number of app users which, in turn, contributed to our sales growth.

IN APPRECIATION

Over the past years, we not only managed to navigate through difficult challenges but strived above them. The record-breaking results would not have been possible without the collective efforts of our people. Thus, I would like to take this opportunity to express my sincere appreciation to our fellow Directors for their strategic guidance on the Group's development direction. I want to extend my gratitude to our employees for their dedicated efforts to grow Hafary. Last but not the least, I would like to thank our shareholders for their unwavering support and trust all these years.

Moving forward, we remain committed to building a more resilient and sustainable business as we generate greater value for our stakeholders.

LOW KOK ANN
Executive Director & CEO

1 https://www.theedgesingapore.com/news/singapore-economy/singapores-gdp-expands-36-2022-2023-growth-forecast-kept-05-25

2 Ministry of Trade and Industry (MTI) - Singapore's GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2022 and by 3.8 Per Cent in 2022 – 3 January 2023

3 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

4 https://www.theedgesingapore.com/news/singapore-economy/singapores-gdp-expands-36-2022-2023-growth-forecast-kept-05-25

5 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

BOARD OF DIRECTORS

Ong Beng Chye

Independent
Non-Executive Chairman

Mr Ong Beng Chye was appointed as Lead Independent Director on 10 November 2009 and was re-elected on 14 April 2021. He was appointed as the Independent Non-Executive Chairman of our Company on 6 March 2015. He graduated with a Bachelor of Science with Honours Degree from The City University, London in 1990 and has more than 30 years of experience in the finance sector.

Mr Ong is currently a Director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an Independent Director of other listed companies in Singapore. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising Chartered Accountant (Singapore).

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

Other present directorship:

Geo Energy Resources Limited
IPS Securex Holdings Limited
ES Group (Holdings) Limited
Alpina Holdings Limited
LMS Compliance Ltd.

Past directorship (Preceding three years):

CapAllianz Holdings Ltd
(formerly known as "CWX Global Limited")

Low Kok Ann

Executive Director and
Chief Executive Officer

Mr Low Kok Ann was appointed as Executive Director of our Company on 6 October 2009 and was re-elected on 22 June 2020. He attained a Government Higher School Certificate (Chinese) in 1969.

Mr Low was one of the founders of the main subsidiary of our Company, Hafary Pte Ltd, and has been an Executive Director since its incorporation in 1980. His wealth of experience in the tile industry has been pivotal to our success and growth. He was appointed as Chief Executive Officer ("CEO") of our Company on 1 February 2014. On 6 March 2015, He relinquished his role of Executive Chairman. As the CEO, his primary responsibility is to formulate and oversee the corporate and strategic development and overall management and operations of our Group.

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

Other present directorship:

NIL

Past directorship (Preceding three years):

NIL

BOARD OF DIRECTORS

Datuk Edward Lee Ming Foo, JP
Non-Independent
Non-Executive Director

Datuk Edward Lee Ming Foo, JP was appointed as a Non-Independent Non-Executive Director of our Company on 6 March 2015 and was re-elected on 14 April 2021. He graduated with a Degree in Bachelor of Arts from the McMaster University in Canada in 1977.

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

Other present directorship:

Hap Seng Consolidated Berhad
Hap Seng Plantations Holdings Berhad

Past directorship (Preceding three years):

NIL

Low See Ching
Non-Independent
Non-Executive Director

Mr Low See Ching was appointed as the Non-Independent Non-Executive Director on 31 January 2014 and was re-elected on 7 April 2022. He graduated with a Bachelor of Accountancy Degree from Nanyang Technological University, Singapore in 1999.

Prior to this appointment, Mr Low served in the Board as Executive Director and in the Company as CEO. He joined the main subsidiary of our Company, Hafary Pte Ltd, in 2000 and rose through the ranks from Sales Executive to CEO in 2005. As the CEO, he was responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies.

Mr Low is presently the Executive Director and Deputy CEO of Oxley Holdings Limited, listed on the Mainboard of Singapore Exchange.

Other present directorship:

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

Past directorship (Preceding three years):

NIL

BOARD OF DIRECTORS

Cheah Yee Leng

Non-Independent
Non-Executive Director

Ms Cheah Yee Leng was appointed as a Non-Independent Non-Executive Director of our Company on 6 March 2015 and was re-elected on 7 April 2022. She holds a Bachelor of Economics Degree and Bachelor of Laws Degree from Monash University in Australia.

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

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

Other present directorship:

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

Past directorship (Preceding three years):
NIL

Yong Teak Jan @ Yong Teck Jan

Non-Independent
Non-Executive Director

Mr Yong Teak Jan @ Yong Teck Jan was appointed as a Non-Independent Non-Executive Director of our Company on 18 January 2018 and was re-elected on 14 April 2021. Mr Yong graduated with a Bachelor of Science with Honours in Chemistry from the University of Malaya, Malaysia.

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

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

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

BOARD OF DIRECTORS

Terrance Tan Kong Hwa

Independent Director

Mr Terrance Tan Kong Hwa was appointed as an Independent Director of our Company on 10 November 2009 and was re-elected on 7 April 2022. Mr Tan graduated with a Degree in Bachelor of Science (Estate Management) (Honours) from the National University of Singapore in 1989.

Mr Tan has more than 30 years of experience in the banking and private equity/ venture capital industry. He is currently a Partner/Director of Providence Capital Management Pte Ltd, a private equity fund management and consultancy firm that he co-founded in 2007.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

Foo Yong How

Independent Director

Mr Foo Yong How was appointed as an Independent Director of our Company on 9 July 2020 and was re- elected on 14 April 2021. He graduated with a BSc in Electrical Engineering from the National University of Singapore in 2003, and is a CFA® Charterholder.

Mr Foo has more than 15 years of experience in investment banking, business development and wealth management. He was appointed as Chief Corporate Officer in Sapphire Corporation Limited (listed on SGX Mainboard), assisting the CEO of Sapphire in key functions which includes formulation of strategic planning in mergers and acquisition, new business opportunities and corporate finance related activities. He can contribute to the Group with his expertise in the strategic planning and corporate finance activities.

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

Mr Foo has also worked in UOB Kay Hian where he was involved in structuring both public and private deals in the investment banking field and international capitalmarkets. He has co-led numerous successful IPO deals in diverse sectors, such as real estate, medical and resources.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

KEY MANAGEMENT

Tay Eng Kiat Jackson

Chief Operating Officer & Company Secretary

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

Mr Tay has more than 19 years of experience in Accounts and Finance functions of various entities in the public and private sector.

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

Koh Yew Seng Mike

Director - Logistics

Mr Koh joined our Group in 2008. His responsibilities include overseeing our warehouse and logistics operations and also assisting the CEO with procurement administration. He also facilitates operational coordination between the Group's Singapore and overseas entities.

Mr Koh has more than 25 years of experience in the tile industry. He attained his General Certificate of Education 'O' Levels in 1977.

Goh Keng Boon Frank

Project Director

Mr Goh joined our Group in 2004. He heads the Project Sales and Marketing team of Surface Project Pte Ltd, a key subsidiary involved in private sector project sales and leads the execution of its corporate sales strategies.

Mr Goh has more than 20 years of experience in the tile industry. He graduated with a Bachelor Degree in Building Management from RMIT University, Australia in 2001.

Tay Chye Heng Stephen

Public Project Director

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

Mr Tay has more than 40 years of experience and held various key positions in his past employments in the tile industry. He attained his General Certificate of Education 'O' Levels in 1974.

Lee Yee Fei Mandy

Financial Controller

Ms Lee joined our Group in 2015. She is currently the Financial Controller of the Group. She oversees the Group's finance and corporate functions, including financial reporting, tax, treasury, internal controls, governance and regulatory compliance.

Ms Lee has more than 15 years of working experience in the area of audit, finance and accounting. She is a non- practising Chartered Accountant (Singapore).

GROUP STRUCTURE

AS OF REPORTING YEAR

HAFARY HOLDINGS LIMITED

UEN: 200918637C

100%

HAFARY PTE LTD

UEN: 198001531R

SINGAPORE

70%	**90%**	**100%**	**100%**
SURFACE PROJECT PTE. LTD. UEN: 200500263N	SURFACE STONE PTE. LTD. UEN: 200906485D	WOOD CULTURE PTE. LTD. UEN: 201007442H	HAFARY CENTRE PTE. LTD. UEN: 201026113W
100%	**50%**	**100%**	**100%**
HAFARY VIETNAM PTE. LTD. UEN: 201120831H	MELMER STONEWORKS PTE. LTD. UEN: 201216143E (Joint Venture)	HAFARY INTERNATIONAL PTE. LTD. UEN: 201305688M	MARBLE TRENDS PTE. LTD UEN: 201309646E
81%	**100%**	**51%**	**56%**
WORLD FURNISHING HUB PTE. LTD. UEN: 201317854K	HAFARY TRADEMARKS PTE. LTD. UEN: 201526416M	HAFARY BALESTIER SHOWROOM PTE. LTD. UEN: 201603055M	GRES UNIVERSAL PTE. LTD. UEN: 201610591C
100%	**100%**	**33.33%**	**100%**
HAFARY BUILDING MATERIALS PTE. LTD. UEN: 201724020R	HAFARY W+S PTE. LTD. UEN: 201834344K	HAFARY MYANMAR INVESTMENT PTE. LTD. UEN: 201834571E (Joint Venture)	HAFARY CRESCENT PTE. LTD. UEN: 202126825D
92.86%*	**65%#**	**100%**	
HAFARY ELEMENT PTE. LTD. UEN: 202221070W	INTERNATIONAL CERAMIC MANUFACTURING HUB PTE. LTD. UEN: 202221067C	HAFARY FLAGSHIP STORE PTE. LTD. UEN: 202223334G	

OVERSEAS

49%	**100%**	**50%**
VIET CERAMICS INTERNATIONAL JOINT STOCK COMPANY UEN: 0311028311 (Associate incorporated in Vietnam)	FOSHAN HAFARY TRADING CO., LTD UEN: 440600400022964 (Subsidiary incorporated in China)	GUANGDONG ITA ELEMENT BUILDING MATERIALS CO., LIMITED UEN: 91440604MA4WQTML60 (Joint venture incorporated in China)
100%	**65%#**	
HAFARY TRADING SDN. BHD. UEN: 202001030234(1386554-D) (Subsidiary incorporated in Malaysia)	INTERNATIONAL CERAMIC MANUFACTURING HUB SDN. BHD UEN: 202201021959(1467656-H) (Subsidiary incorporated in Malaysia)	

* Effective holding of 92.86%
Held through Hafary Pte Ltd - 85.71%
Held through Hafary Pte Ltd - Guangdong ITA Element Building Materials Co., Limited - 7.15%

\# Effective holding of 65%
Held through Hafary Element Pte. Ltd. - 70%

FINANCIAL HIGHLIGHTS

For the Year	FY2022 $'000	FY2021 $'000	FY2020 $'000	FY2019 $'000	FY2018 $'000
Revenue - General	109,225	82,716	53,853	61,589	70,949
Revenue - Project	59,660	43,288	27,062	43,516	46,053
Total Revenue	168,885	126,004	80,915	105,105	117,002
Revenue - General (% of total revenue)	64.7%	65.6%	66.6%	58.6%	60.6%
Revenue - Project (% of total revenue)	35.3%	34.4%	33.4%	41.4%	39.4%
Earnings before interest, income taxes and depreciation (EBITDA)	51,544	25,651	16,664	23,734	21,741
EBITDA margin (%)	30.5%	20.4%	20.6%	22.6%	18.6%
Finance cost (i.e. Interest expense)	4,616	3,204	3,261	4,535	4,161
Profit before income tax	37,583	15,133	6,260	11,574	11,989
Profit before income tax margin (%)	22.3%	12.0%	7.7%	11.0%	10.2%
Net Profit	30,638	12,312	5,535	10,005	10,119
Net Profit margin (%)	18.1%	9.8%	6.8%	9.5%	8.6%
Profit after income taxes and non-controlling interest (PATNCI)	29,372	11,580	5,260	10,087	10,723
PATNCI margin (%)	17.4%	9.2%	6.5%	9.6%	9.2%

At Year End	FY2022 $'000	FY2021 $'000	FY2020 $'000	FY2019 $'000	FY2018 $'000
Non-current assets	276,206	191,187	133,375	139,867	131,863
Current assets	127,322	94,836	91,490	99,112	104,589
Total assets	403,528	286,023	224,865	238,979	236,452
Non-current liabilities	187,285	126,368	92,275	88,468	83,653
Current liabilities	120,231	82,249	59,122	79,524	86,606
Total liabilities	307,516	208,617	151,397	167,992	170,259
Total debt	263,544	181,483	127,089	144,664	143,367
Cash and cash equivalents	11,504	6,070	5,211	7,559	6,063
Net debt	252,040	175,413	121,878	137,105	137,304
Shareholders' equity	92,571	75,475	71,309	68,963	64,012
Total equity	96,012	77,406	73,468	70,987	66,193
Number of ordinary shares ('000)	430,550	430,550	430,550	430,550	430,550
Weighted average number of ordinary shares ('000)					
- Basic	430,550	430,550	430,550	430,550	430,550
- Diluted	430,550	430,550	430,550	430,550	430,550
Share price at year end (cents)	20.0	17.0	14.0	15.0	16.4
Market capitalisation as at year end date	86,110	73,194	60,277	64,583	70,610

FINANCIAL HIGHLIGHTS

Financial Ratios	FY2022	FY2021	FY2020	FY2019	FY2018
Profitability					
Revenue growth (%)	34.0%	55.7%	-23.0%	-10.2%	1.0%
PATNCI growth (%)	153.6%	120.2%	-47.9%	-5.9%	22.6%
Return on assets (%) (PATNCI/ Total assets)	7.3%	4.0%	2.3%	4.2%	4.5%
Return on equity (%) (PATNCI/ Average shareholders' equity)	35.0%	15.8%	7.5%	15.2%	17.6%
Liquidity					
Current ratio (times)	1.1	1.2	1.5	1.2	1.2
Cash as per share (cents)	2.7	1.4	1.2	1.8	1.4
Net assets per share (cents)	21.5	17.5	16.6	16.0	14.9
Leverage					
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	2.7	2.3	1.7	2.0	2.1
Interest cover (times) (EBITDA/ Finance cost)	11.2	8.0	5.1	5.2	5.2
Investors' Ratio					
Earnings per share (cents) (Basic and fully diluted)	6.8	2.7	1.2	2.3	2.5
Total gross dividend per share (cents) (DPS)	2.25	1.5	1.0	1.0	1.0
Gross dividend yield (%) based on year end share price	11.2%	8.8%	7.1%	6.7%	6.1%
Gross dividend payout (%) (Gross dividend/ Profit after tax attributable to shareholders)	33.0%	55.8%	61.4%	42.7%	40.2%

Statement of Comprehensive Income

	FY2022 $'000	FY2021 $'000	Change $'000	Change %
Revenue	168,885	126,004	42,881	34.0
Interest Income	109	161	(52)	(32.3)
Other Income and Gains	6,950	6,127	823	13.4
Changes in Inventories of Goods Held for Resale	10,923	2,485	8,438	339.6
Purchases and Related Expenses	(100,970)	(69,944)	(31,026)	44.4
Employee Benefits Expenses	(24,623)	(21,318)	(3,305)	15.5
Amortisation and Depreciation Expense	(9,454)	(7,475)	(1,979)	26.5
Impairment Losses	(589)	(8,498)	7,909	(93.1)
Other Losses	-	(194)	(194)	(100.0)
Finance Costs	(4,616)	(3,204)	(1,412)	44.1
Other Expenses	(13,073)	(10,573)	(2,500)	23.6
Share of Profit from An Equity-Accounted Associate	3,679	1,206	2,473	205.1
Share of Profit from Equity-Accounted Joint Ventures	362	356	6	1.7
Profit Before Income Tax	**37,583**	**15,133**	**22,450**	**148.4**
Income Tax Expense	(6,945)	(2,821)	(4,124)	146.2
Profit, Net of tax	**30,638**	**12,312**	**18,326**	**148.8**
Other Comprehensive (Loss) Income :				
Items that may be Reclassified Subsequently to Profit or Loss:				
Exchange Differences on Translating Foreign Operations, Net of Tax	(1,642)	1,134	(2,776)	(244.8)
Total Comprehensive Income, Net of Tax	**28,996**	**13,446**	**15,550**	**115.6**
Profit, Net of Tax Attributable To:				
- Owners of the Parent	29,372	11,580	17,792	153.6
- Non controlling interests	1,266	732	534	73.0
	30,638	**12,312**	**18,326**	**148.8**
Total Comprehensive Income Attributable to:				
- Owners of the Parent	27,730	12,714	15,016	118.1
- Non-Controlling Interests	1,266	732	534	73.0
	28,996	**13,446**	**15,550**	**115.6**

FINANCIAL REVIEW

Revenue

During FY2022, the group registered a revenue of S$168.9 million compared to S$126.0 million during FY2021.

The 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.

The 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$1.6 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.

Other income and gains

For FY2022, 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.

Other Losses

For FY2021, other losses mainly comprised of fair value losses on derivative financial instruments of S$0.1 million and fair value losses on other financial assets of S$0.1 million.

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 year.

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 of 46.7% for FY2022 has slightly increased as compared to 46.5% for FY2021.

Employee Benefits Expense

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: 324).

Amortisation and Depreciation Expense

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.

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.

Finance Costs

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

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.

FINANCIAL REVIEW

Share of Profit from an Equity-Accounted Associate

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

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

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.

During FY2022, excluding share of profit from associate and 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 (Loss) Income

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. Income tax expense 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.

Statement of Financial Position

	FY2022 $'000	FY2021 $'000	Change $'000	Change %
Non-Current ssets:				
Property, Plant and Equipment	104,086	94,612	9,474	10.0
Right-of-Use Assets	132,140	71,751	60,389	84.2
Investment Properties	17,390	4,172	13,218	316.8
Investments in an Associate	19,423	17,507	1,916	10.9
Investments in Joint Ventures	2,832	2,805	27	1.0
Other Financial Assets	335	340	(5)	(1.5)
Total Non-Current Assets	276,206	191,187	85,019	44.5
Current Assets:				
Inventories	56,998	46,249	10,749	23.2
Trade and Other Receivables	53,296	35,733	17,563	49.2
Derivative Financial Assets	81	-	81	N.M.
Other Non-Financial Assets	5,443	6,784	(1,341)	(19.8)
Cash and Cash Equivalents	11,504	6,070	5,434	89.5
Total Current Assets	127,322	94,836	32,486	34.3
Total Assets	**403,528**	**286,023**	**117,505**	**41.1**
Equity:				
Equity, Attributable to Owners of the Parent	92,571	75,475	17,096	22.7
Non-Controlling Interests	3,441	1,931	1,510	78.2
Total Equity	**96,012**	**77,406**	**18,606**	**24.0**
Non-Current Liabilities:				
Deferred Tax Liabilities	886	953	(67)	(7.0)
Other Financial Liabilities, Non-Current	173,016	112,924	60,092	53.2
Lease Liabilities, Non-Current	13,383	12,491	892	7.1
Total Non-Current Liabilities	187,285	126,368	60,917	48.2

FINANCIAL REVIEW

Statement of Financial Position

	FY2022 $'000	FY2021 $'000	Change $'000	Change %
Current Liabilities:				
Income Tax Payable	7,172	2,688	4,484	166.8
Provision	1,119	924	195	21.1
Trade and Other Payables	26,654	17,668	8,986	50.9
Derivative Financial Liabilities	-	64	(64)	(100)
Other Financial Liabilities, Current	76,130	55,142	20,988	38.1
Lease Liabilities, Current	1,015	926	89	9.6
Other Non-Financial Liabilities	8,141	4,837	3,304	68.3
Total Current Liabilities	120,231	82,249	37,982	46.2
Total Liabilities	**307,516**	**208,617**	**98,899**	**47.4**
Total Equity and Liabilities	**403,528**	**286,023**	**117,505**	**41.1**

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 properties, disposal of plant and equipment of S$0.1 million and foreign exchange adjustments of S$0.4 million during the year.

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 properties. 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).

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.

FINANCIAL REVIEW

Leasehold properties held by the Group	105 Eunos Avenue 3 Hafary Centre Singapore 409836	3 Changi North Street 1 Singapore 498824	54/56 Sungei Kadut Loop Singapore 729477	18C Sungei Kadut Street 4 Singapore 729066	18 Sungei Kadut Street 2 World Furnishing Hub Singapore 729236
Description	6-storey light industrial building	2-storey warehouse	1-storey warehouse	Warehousing/ Production premises/ 2-storey ancillary building	7-storey industrial building
Purpose	Headquarters and main showroom	Main warehouse	Warehouse	Marble processing facility	Commercial and warehousing
Tenure of loan	Expiring 14 September 2039	Expiring 28 February 2059	Expiring 15 January 2025	Expiring 15 September 2025	Expiring 3 September 2043
Area ('000 square feet)					
- Land	54	113	105	56	107
- Gross floor or net lettable area	130	151	69	46	296
Purchase price (S$'000)	9,800	10,000	2,502	1,430	8,650
Development and directly attributable costs (S$'000)	11,752	13,787	–	2,938	49,788
Carrying amount as at 31 December 2022 (S$'000)	13,729	18,702	303	993	44,565

North Fang Xun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangzhou, China	532 Balestier Road Singapore 329859	11 Changi North Way Singapore 498796	51 Middle Road Singapore 188959	28 Loyang Crescent Singapore 508990	161 Lavender Street Lavender Place Singapore 338750
Warehouse and 5-storey dormitory	2-storey corner prewar shophouse	4-storey warehouse	6-Storey corner commercial building	Warehousing/ Production premises/7-storey ancillary building	11 contiguous conservation shophouses with 4-storey rear extension
Warehouse	Commercial	Warehouse	Commercial	Warehouse	Proposed flagship store and commercial
Expiring 30 December 2050	Freehold	Expiring 15 November 2063	Expiring 29 January 2834	Expiring 30 June 2030	Expiring 1 December 2115
441	2	78	3	64	18
287	3	109	17	159	45
10,000	4,050	16,000	34,750	8,780	71,280
100	226	3,956	1,037	258	2,133
6,912	4,154	19,242	35,487	8,052	73,201

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

The Board of Directors ("**Board**" or "**Directors**") of Hafary Holdings Limited ("**Company**" and together with its subsidiaries, the "**Group**" or "**Hafary**") is pleased to present Hafary's annual Sustainability Report ("**Report**") for the financial year ended on 31 December 2022 ("**FY2022**"). This Report reflects our unwavering commitment to generating positive impacts on the environment and society, creating lasting shared value for our business and stakeholders.

Being in the building material industry, Hafary recognises that sustainable development is imperative for the Group's long-term success. Our vision is to lead the change towards a climate resilient ecommerce industry while being a fair and equal company. The Board is keenly aware of growing risks posed by climate change and global warming, as well as deeply committed to respecting human rights across our operations and value chain, and improving our social and economic performance. Accordingly, we strive to integrate Economic, Environmental, People, and Governance considerations across our business operations, as well as continue to build on its capabilities and extend the value propositions of its business units to safeguard stakeholders' interests. Based on the contents of the Report, we have integrated several disclosures of the Task Force on Climate-related Financial Disclosures ("**TCFD**") recommendations.

Notably, it is our responsibility to respect and work to advance the human rights and working conditions of the people working for our suppliers as well as the Group's employees to ensure they know their rights. The Board, assisted by the Hafary's Sustainability Steering Committee ("**SSC**"), is responsible for the monitoring, and overseeing of salient sustainability issues as part of its strategic formulation annually. Through the materiality assessment, the SSC identifies the material topics and embeds their underlying implications into our strategic direction. To realise them, our SSC has developed the relevant metrics and targets in the short-, medium- and long-term to adequately address the various material topics, and is actively monitoring their progress to achieve these ends. Looking ahead, we see collaboration with our business partners as essential for finding solutions to the interconnected challenges we face as an industry. Together with our suppliers and other partners, we can make important contributions to our communities, and reduce climate and other environmental impacts.

We greatly appreciate the support provided by all our stakeholders along this journey, and look forward to working with all stakeholders to build a sustainable future together.

ABOUT THIS REPORT

Scope of Report

This report focuses on Hafary's longstanding conviction to Economic, Environment, People and Governance integration for the financial year ended 31 December 2022. The data and information disclosed, coupled with contents within this report have been delivered in good faith and to the best of our knowledge. The scope of this report covers the activities of the Group's subsidiaries in Singapore, China and Malaysia. This Sustainability Report provides a comprehensive and transparent reporting to our stakeholders, which has laid the foundation for our operational resilience and agility. In FY2022, we embraced challenges and opportunities of climate change, and put people at the heart of what we build.

Reporting Framework

This Report was approved by the Board and was prepared in accordance with the sustainability reporting requirements of Listing Rules of the Singapore Exchange ("**SGX**") Mainboard. The Report has been prepared with reference to the Global Reporting Initiative ("**GRI**") Standards 2021 and the Task Force on Climate-Related Financial Disclosures ("**TCFD**"). The GRI Standards 2021 was selected as our external reporting framework because it provides guiding principles on report content and quality, as well as suggests specific performance disclosures pertaining to our material sustainability topics.

Report Content and Quality

This Report develops our sustainability strategies, policies, and performances by providing more quantitative goals and targets to support our corporate values, as well as addressing the key concerns and issues that Hafary's stakeholders have frequently raised. To maintain consistency and content quality, we have applied GRI's eight principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability. Additionally, the TCFD developed seven principles for effective disclosure: disclosures should represent relevant information; be specific and complete; be clear, balanced and understandable; be consistent over time; be comparable among companies within a sector, industry or portfolio; be reliable, verifiable and objective; and be provided on a timely basis. The Group has engaged our internal auditor to perform an internal review of our sustainability reporting process.

Feedback

As part of our continuous efforts on substantiating our sustainability efforts along with improving our policies and performance, we value any question, comment, or feedback on any aspect of this Report. Please write to: sustainability@hafary.com.sg.

OUR SUSTAINABILITY STEERING COMMITTEE

At Hafary, the Sustainability Steering Committee ("**SSC**") is established by the Board of Directors to assist the Board in overseeing the Group's sustainability policies and strategies, which entails climate-related challenges. The Board regularly reviews environmental trends and evaluates potential climate-related risks and opportunities to maintain strategic risk management oversight. The Board also determines salient sustainability factors, including climate-related metrics and targets.

Led by Group's Chief Operating Officer ("**COO**"), the SSC is supported by department heads from various functional division within the Group. The SSC receives regular updates on the progress of the Group's core sustainability initiatives, as well as review the Group's workplace and human rights practices. Specifically, the COO supervises the adoption and implementation of climate strategies and policies, providing regular updates to the Board on the performance of programmes and practices. Whereas the head of various functional departments provide regular updates on sustainability initiatives to the COO.

Roles and Responsibilities of the SSC

Designation	Roles	Responsibilities
Chief Operating Officer	• Oversees the Group's strategic formulation and vision • Approves the Group's sustainability strategies and action plans to address its climate-related risks and impacts • Support to foster a culture of sustainability across the Group	• Provides strategic guidance and formulate Group's sustainability strategy • Identifies climate-related risks and opportunities • Reviews climate-related metrics and targets • Manages day-to-day operations pertaining to ESG performances of the Group • Oversees daily administrative and operational functions related to sustainable development • Evaluates ESG risks and monitor climate-related performances in the Group's business practices
Financial Controller	• Member of the SSC to support sustainability practices • Support to foster a culture of sustainability, especially across the Accounts Department	• Reviews the financial performances of climate-related risks and opportunities undertaken by the Group • Coordinates reporting and disclosures • Ensures legal compliances with relevant financial-related requirements • Promotes recycling practices and cultivate sustainability habits across the Group
Project Director	• Member of the SSC to support sustainability practices • Support to foster a culture of sustainability, especially across the Sales & Marketing Department	• Optimises marketing strategies to promote environmentally friendly initiatives • Raises climate resilience awareness when establishing and managing customer relationship
Director of Logistics	• Member of the SSC to support sustainability practices • Support to foster a culture of sustainability, especially across the Warehouse Department	• Conducts risk assessment and environmental impact analysis of various waste and pollution generated from warehouse • Works closely with the SSC to assess and manage climate-related risks and opportunities
Head of System Administrator	• Member of the SSC to support sustainability practices • Support to foster a culture of sustainability, especially across the IT Department	• Ensures all climate-related data are compiled and maintained in good quality and in accordance with relevant regulations • Works closely with the SSC to assess and manage climate-related risks and opportunities

SUSTAINABILITY REPORT

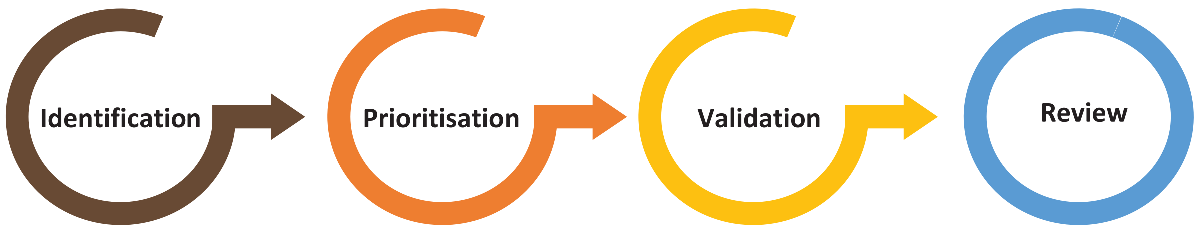
At Hafary we have a highly ambitious sustainability strategy which aims to lead the change towards a more sustainable building material industry, with both new business opportunities and risks. Climate change and its impacts have been identified as one of the Group's most significant risks. Other main risks identified include shortage of natural resources, failure to uphold human rights early in the value chain, corruption, political and social instability in production and sourcing markets, and changed consumption patterns and customer attitudes. This last factor could ultimately have major effects on the Group's sales - both positive and negative. The outcome depends on how successful the Group is in its work to implement the sustainability strategy to develop an even more sustainable customer offering and a sustainable business model.

For a more detailed description of climate risk analysis according to the TCFD, please refer to pages 35 to 38.

MATERIALITY ASSESSMENT

At Hafary, we identify and prioritise the issues that are most concerned and frequently raised by our stakeholders. Through various channels and feedback mechanism, we analyse our stakeholders' expectations along with the economic, environmental and people, including human rights issues, across our value chain.

In the course of our materiality analysis, we have re-assessed the material topics based on our internal discussion and consultation, as well as in response to the external business climate emerged in FY2022. Our Group adopts the following four- stage approach to define our material topics in FY2022:



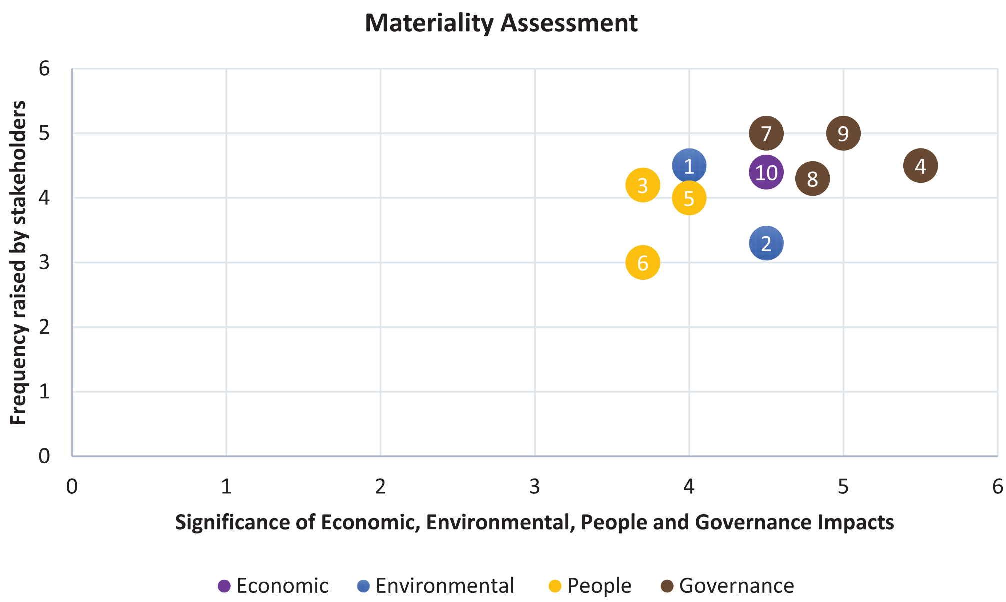
Identify ESG issues by examining business activities, stakeholders' interests, and sector-specific concerns

Prioritise salient sustainability issues based on their impact and stakeholders' expectations

Validate and approve sustainability metrics and performance by the Board

Review regularly and update material ESG issues, considering emerging challenges

Subsequently, these topics were placed on a materiality matrix, and we have identified 10 key ESG material topics as shown below:



Legend

<table>
<tr><th>Environmental</th><th>Social</th><th>Governance</th><th>Economic</th></tr>
<tr><td>1: Greenhouse Gas Emissions</td><td>3: Employment Practices</td><td>7: Business Conduct and Ethics</td><td rowspan="4">10: Economic Performance</td></tr>
<tr><td rowspan="3">2: Energy Consumption</td><td>4: Occupational Health and Safety</td><td rowspan="2">8: Legal & Regulatory Compliance</td></tr>
<tr><td>5: Training and Development</td></tr>
<tr><td>6: Local Communities</td><td>9: Anti-corruption Practices</td></tr>
</table>

While seeing good improvements, there is a continued interest from our stakeholders to further understand our climate risk and opportunities, expand impact disclosure and improve data quality. Notably, we also see an increasing concern on human rights, partly relating to risks resulting from COVID-19 crisis, such as working hours, health and safety, as well as job security, together with emerging legislation for human rights due diligence and reporting.

The changes in material topics in FY2022 coupled with the respective rationale are as follows:

Material topics removed in FY2022	**Explanation**
Environmental Compliance	GRI 307 Environmental Compliance was withdrawn and replaced by Disclosure 2-27 Compliance with Laws and Regulations.
Socioeconomic Compliance	GRI 419 Socioeconomic Compliance was withdrawn and replaced by Disclosure 2-27 Compliance with Laws and Regulations.
Enterprise Risk Management	Enterprise Risk Management has been integrated with the Group's overall risk management, including climate-related risk and opportunities.
Material topics added in FY2022	**Explanation**
Greenhouse Gas Emissions	This is the first year of integrating TCFD disclosures of Scope 1 emissions into our Group's Sustainability Report, and we will disclose our target accomplishment in FY2023.
Energy Consumption	This is the first year of integrating TCFD disclosures of Scope 2 emissions into our Group's Sustainability Report, and we will disclose our target accomplishment in FY2023.
Training and Development	This is the first year of integrating Training and Development into our Group's Sustainability Report, as by GRI Disclosure 404, for the Group to showcase the company's efforts in enhancing human capital and we will disclose our target accomplishment in FY2023.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

We recognise the importance of holding a continuous and open dialogue with our stakeholders. A multitude of diverse voices and insights help us prioritise actions within our stainability initiatives. Throughout the year, we have regular dialogues with different stakeholders such as colleagues, customers, communities, as well as policymakers and investors. Both internal and external stakeholders are crucial to us, and we engage them through reviews, consultations, and participation to focus on salient sustainability issues.

The following table summarises our stakeholder groups, current channels, frequency of engagement and the stakeholders' key concerns to sustainability issues.

Stakeholders	Current Engagement Channels	Frequency	Key Concerns
Employees	Performance appraisals	Annual	• Remuneration and benefits • Employee safety and well-being • Training and development opportunities • Fair and competitive employment practices • Job security and workplace safety
	Internal and external training programmes	Ad-hoc	
	Digital feedback and communication platforms	Ad-hoc	
	Regular meetings	Monthly	
Customers	Customers' service and feedback emails	Ad-hoc	• Compliance with environmental and safety standards • Good quality products and services • Efficient project management • Timely completion of projects • Legal and contractual compliance
	Customers' showroom visits	Ad-hoc	
	Verbal communications (e.g., social media and phone calls)	Perpetual	
Suppliers	Suppliers' feedback through emails, phone calls and fax	Ad-hoc	• Supplier policies and requirements • Fair and timely payment terms • Occupational health and safety practices • Strong and lasting cooperation
	Supplier on-site meetings	Ad-hoc	
Shareholders and Investors	Annual General Meetings	Annual	• Financial stability and long-term growth plans • Operational efficiency • Sustainability efforts • Compliance with regulations • Risk Management • Sound corporate governance • Business climate resilience
	Financial result announcements	Quarterly	
	SGXNet announcements	Ad-hoc	
	Annual report and Sustainability Report	Annual	
	Company website	Perpetual	
Regulators and Government	Direct engagement with authorities	Ad-hoc	• Compliance updates • Good corporate governance & ethics • Transparency and non-financial reporting • Anti-corruption and bribery • Sustainability reports
	Meetings, briefings, and reporting	Ad-hoc	
	Correspondences through emails and letters	Ad-hoc	
	Annual report and Sustainability Report	Annual	
Local Communities	Charitable contribution	Ad-hoc	• Corporate Social Responsibility programme • Community service events
	Volunteering activities	Ad-hoc	

ENVIRONMENTAL

Rising global temperatures can trigger extreme weather conditions and events such as floods, heatwaves, and rising sea levels in Singapore and around the globe. These events both directly and indirectly impact the physical safety of our warehouses, showroom, and factory, as well as disturb our supply chain and negatively affect the occupational health and well-being of our employees.

As the world rallies to meet the required goal of limiting global temperature rise to well below 1.5° Celsius as set out in the Paris Agreement, we are addressing climate change as one of our highest-priority ESG issues to reduce Greenhouse Gas ("**GHG**") emissions within our own operations and across our value chain. We are working towards developing strategies to build climate resilience across our business divisions, and the first step is to understand potential risks and opportunities from climate change and their financial impact on our businesses.

TCFD Climate Risk Analysis

Strategy

We seize opportunities and manage risks through our sustainability strategy, transforming Hafary into a climate-positive future and performance-driven business. Our overarching climate strategy is to identify, assess and mitigate climate-related physical risks and transition risks across our value chain, supporting our goals to operate within planetary boundaries and at the same time, leave a net positive impact on the environment when making business decisions. Notably, we are accelerating a systematic shift in how we design our products, work with suppliers, interact with customers, and optimise resource use across our entire value chain.

We have performed a risk analysis which focuses predominately on two climate scenarios, including a 2°C or lower scenario and no mitigation scenario to assess the impacts of climate change on our business.

Scenario	Paris-aligned scenario (Below 2°C)	No mitigation scenario (4°C)
Rationale	• In this scenario, the world manages to reduce CO_2e emissions through several far-reaching measures, such as legislation, global carbon taxes, and major shifts in consumption patterns and lifestyles. • This scenario is selected to assess the transition impacts in an economy shifting to a low carbon world. It reflects actions required to limit global warming to under 2°C.	• In this scenario, the world fails to curb rising CO_2e emissions by 2100. Legislation and carbon taxes are expected to play a less significant role in this scenario, whereas impacts from extreme weather events are assumed to grow in magnitude. • This scenario is selected to assess the physical risks under a high-emission scenario, consistent with a future with limited policy changes to reduce emissions.
Underlying model	• International Energy Agency's • Sustainable Development Scenario	• Intergovernmental Panel on Climate Change ("**IPCC**") Representative Concentration Pathway 8.5, mostly long term
Assumptions	Transition features: • Carbon price introduced • Fossil fuel subsidies phased out by 2050 in net-importers and by 2035 in net-exporters • Increased generation from renewable energy	Physical features: • Global emissions continue to rise because of high carbon intensity • Global mean sea level rise of 0.63m by 2100 • High frequency and intensity of heat waves and extreme precipitation events

Climate-Related Risks and Opportunities

Considering the above scenarios, we have identified the following climate-related risks (i.e. physical and transition risks) and business opportunities arisen, together with their impact on our business and mitigation measures should the above scenarios materialise.

Risk Type	Impact	Mitigating Measures
Physical Risks		
Acute Increased severity of extreme weather events such as frequent flooding	• Prolonged project timeline • Increased insurance premiums • Reduced revenue from lower sales output	• Effective project management with emergency and crisis response plan under extreme conditions to maintain operational reliability • Source for a suitable location for data centre and keep a backup copy of key business information and data, reducing the risk of downtime
Chronic Rising mean temperatures	• Longer dry spells leading to higher water costs due to water scarcity • Increased thermal stress and health risk for employees working on projects which require prolonged outdoor working • Lowered work productivity	• Adopt more water efficient fixtures and fittings with Water Efficient Labelling Scheme ("**WELS**") three ticks or more to reduce water consumption, thereby cutting down water costs • Capitalise on renewable or alternative energy sources to generate electricity • Improve indoor environmental quality with precooled fresh air intake to provide a better workplace environment
Transition Risks		
Policy and Legal	• Increased compliance costs and the operation costs • Increased insurance premiums	• Use of sustainable materials and technologies that are compliant with laws and regulations • Adoption of renewable energy
Technology	• Capital investments into technology development • Cost of adoption • Increased write-offs and early retirement of existing assets • Reduced demand for services	• Switch to low-emission technologies
Market	• Shifts in energy and water costs • Changing customer preferences such as demand for smart building facilities and green real estate could affect the yield of projects • Inability to meet customers' sustainability expectations could make our products and services less attractive	• Prioritise the reduction of emissions and pollutions in our value chain • Leverage on opportunities to develop new markets
Reputation	• Reduced revenue from negative image • Reduction in capital availability	• Work closely with stakeholders to promote environmental-friendly practices in our value chain
Business Opportunities		
Resource Efficiency	• Enhancing energy efficiency and water conservation in our operations and business properties can reduce costs	
Energy Sources	• Reduced exposure to fossil fuel price increase • Returns on investment in low-emission technology • Increased energy resilience	
Products and Services	• Enhanced competitiveness • Offerings with sustainable designs can attract customers looking for smart building and facility services	

Metrics and Targets

In addition to our existing quantitative performances and targets, we continue to assess and manage relevant risks and opportunities pertaining to climate change, which are in line with our strategy and risk management process. Specifically, this entails improving our ability to identify, measure and compile emissions, as well as working with our suppliers and customers to explore new ways to enhance decision making and transparency, such as analytics, automation, and/or artificial intelligence.

Greenhouse Gas Emissions

The majority of GHG emissions within our operations arise from our use of purchased electricity and fuel consumption from mobile sources. Therefore, we disclose Scope 1 direct emissions and Scope 2 indirect emissions with reference to the GHG Inventory Guidance, GRI Standards and TCFD recommendations. Consequently, our Group contributes to air pollution mainly through two streams: (i) combustion of fossil fuels from the use of motor vehicles (Scope 1 Emissions) and (ii) consumption of purchased electricity (Scope 2 Emissions).

Emission from Mobile Combustion

Scope 1 mobile emissions refer to a wide variety of company-owned or operated vehicles, engines and equipment that generate GHG emissions through the combustion of various fuels while moving from one location to another. The burning of fossil fuels within mobile sources gives rise to the emission of air pollutants. The introduction of these pollutants to the atmosphere has deleterious impacts, which include global warming, formation of acid rain, lower visibility, and the development of respiratory issues like lung cancer.

To further curtail our emissions, we consider replacing more vehicles with green engines or switching to lower emissions vehicles that are fuel efficient, equipped with eco-friendly technology, and comply with the emission standards. We practise efficient planning of route for our motor vehicles, and regular maintenance is performed to ensure optimal engine performance and fuel consumption, which in turn reduces our GHG emissions.

The Group's environmental performance in FY2022 is as below:

Pollutant	CO_2	CH_4	N_2O
Emission Factor[1]	• 2.68 kg/litre	• 0.000023 kg/litre	• 0.000032 kg/litre
Global Warming Potential (GWP)	• 1	• 28	• 265

Financial Year	FY2022	FY2021
• Fuel Used	• Diesel	• Diesel
• Fuel Consumed (litre)	• 299,276	• 326,250
• CO_2 Emissions (tCO_2e)	• 802.06	• 874.35
• CH_4 Emissions (tCO_2e)	• 0.19	• 0.21
• N_2O Emissions (tCO_2e)	• 2.54	• 2.77
• **Total GHG Emissions (tCO_2e)**	• **804.8**	• **877.3**
• Number of employees	• 347	• 324
• GHG Intensity (tCO_2e/ employee)	• **2.3**	• **2.7**

Emission from Purchased Energy

Our Scope 2 GHG emissions are indirect emissions generated from the consumption of purchased energy in the form of electricity. The Group's environmental performance in FY2022 is as below:

Pollutants	CO_2
Operating Margin (OM) Grid Emission Factor (GEF)[2]	
Singapore	0.4057
China	0.5810
Global Warming Potential (GWP)	1

Financial Year	FY2022	FY2021
Electricity Consumed (kWh)	2,592,713	2,816,254
CO_2 Emissions (tCO_2e)	**1071.0**	**1157.7**
Number of Employees	347	324
GHG Intensity (tCO_2e/ employee)	**3.1**	**3.6**

[1] Retrieved from: Guidance from GHG Protocol and Intergovernmental Panel on Climate Change (IPCC)

[2] https://www.ema.gov.sg/singapore-energy-statistics/Ch02/index2
https://news.bjx.com.cn/html/20220316/1210504.shtml

SUSTAINABILITY REPORT

Energy Consumption

FY2022 Energy Consumption Targets and Performances

Targets for FY2022	Performances in FY2022
More energy efficient appliances adopted to reduce energy consumption.	More energy efficient appliances are being utilised in offices premises and warehouses, thereby reducing the use of electricity.
Install the photovoltaic ("**PV**") power plants on the rooftop of the Group's headquarter and warehouses across Singapore.	We have implemented 4 solar panels at our office and warehouses in Singapore to harness solar energy and generate green electricity within the headquarter and warehouses to reduce carbon print. The last solar panel installation shall be completed by 2023.

At Hafary, we believe in creating a sustainable work environment and being conscientious in our conservative efforts through our daily endeavours and business operation.

Financial Year	FY2022	FY2021
Office	935,366	1,185,817
Warehouse	1,340,114	1,286,485
Showroom	317,233	343,952
Total Electricity Consumed (kWh)	**2,592,713**	**2,816,254**
Number of Employees	347	324
Energy consumption intensities	**7471.8**	**8692.1**

The total energy usage and intensity across our business decreased by 8% and 14% respectively in FY2022 due greater adoption of energy efficient appliances and energy savings methods. On the Group level, Hafary is expecting the power of solar energy to generate green electricity within the headquarter and warehouses to reduce carbon print, fulfilling the commitment towards a more sustainable business. Specifically, the total number of four solar panels installed at our office and warehouses harness the solar energy during the sunny days, and convert to electricity usage for the Group.

We also continue our dedication in lowering our energy consumption by increasing awareness amongst employees. Particularly, our SSC has inculcated a spirit of environmental stewardship across our business practice by encouraging the following:

- Turning off lights, computers and any electrical appliance when not in use;
- Setting air-conditioning systems at an optimal temperature of 25˚C to save energy;
- Performing regular maintenance of equipment to optimise energy efficiency;
- Adopting energy-efficient fixtures and fittings, such as LED lights; and
- Use of motion sensors at office toilets.

Our Targets

Moving forward, to further demonstrate Hafary's efforts of forging a sustainable business practice, we seek to take proactive climate actions to value add the environment which we operate in and establish the following targets:

Material Topics	Short-Term Target (1-2 years)	Medium-Term Target (2030)	Long-Term Target (2050)
Greenhouse Gas Emissions	• Use solar energy to generate green electricity and reduce purchased electricity consumption by 5%. • Consider replacing more vehicles with green engines or switching to lower emissions vehicles.	• Reduce CO_2e emission intensities from Scope 1 and 2 in absolute figures by 6%. • Use more natural gas than electricity. • Disclose more categories under Scope 3 emissions.	• Perform a 2°C or lower scenario analysis with more quantitative information to describe the potential outcomes, taking into consideration a transition to a lower-carbon economy. • Reduce GHG emission intensities by 10%. • Adopt usage of other type of renewable sources.
Energy Consumption	• Reduce energy intensities by 5%. • Adopt use of higher energy efficient features and fittings.	• Reduce energy intensities by 10%. • Adopt more usage of energy efficient features and fittings with two or more WELS ticks.	• Reduce energy intensities by 15%. • Achieve 50% of features and fitting that are energy efficient and environmentally friendly.

SOCIAL

At Hafary, we greatly believe in caring for not just our employees and customers but the wider community as well, to pursue sustainable growth. Demonstrating positive social impacts and responsibilities can increase our appeal to consumers and employees, show corporate accountability, and generate real, sustainable value to all stakeholders. Engaging in socially responsible conducts bolster's Hafary image and improves customer retention. The direction to boost our social impact is not just through creating a workforce that adopts fair and just employment practices and provides equal access to education, but also integrating a safe, risk-free culture within the Group alongside contributions to society.

Employment Practices

FY2022 Employment Practices Targets and Performances

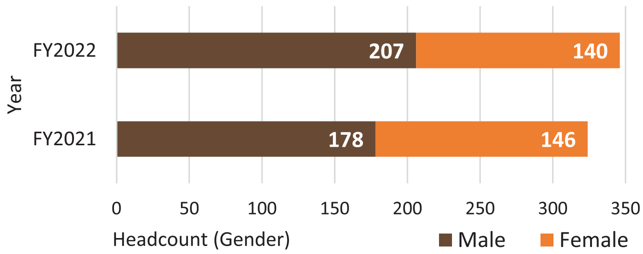
Target for FY2022	Performance in FY2022
Maintain average monthly turnover rate below 3%	Average monthly turnover rate is at approximately 1.25%

We are dedicated to manifesting a conducive, collaborative, and cohesive corporate culture, with zero discrimination, that empowers the growth, development, and progression of our employees to their best potential, regardless of their background.

To create an inclusive work environment, with focus on mutual rights, fairness, equality, Hafary has built an engaged, skilful, and diversified workforce. The data and figures below elucidate the detailed breakdown of our workforce, and it clearly presents the direction towards a gender-diversified and age-diversified workforce spanning across multiple regions. It can be further highlighted that no salient human rights issue has been raised, and our workforce composition assuredly aligns with the commitment to respect and advocate for our employees' human rights.

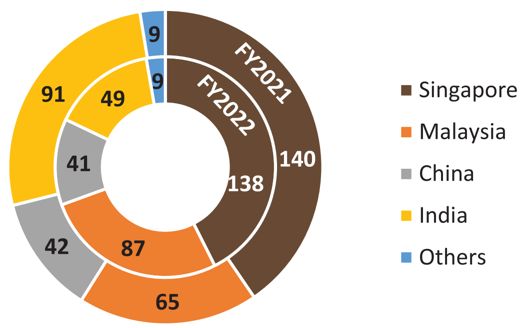
Employee Headcount by Gender

In FY2022, Hafary employs a total of 347 employees, an increase from 324 employees in FY2021, reflecting approximately a 7% rise. Our headcount comprises 207 males and 140 females, representing 60% and 40% of the workforce respectively. This demonstrates Hafary's efforts towards promoting workplace equity, gender diversity and fair, equal opportunities, where no gender undergoes unfair treatment and discrimination.



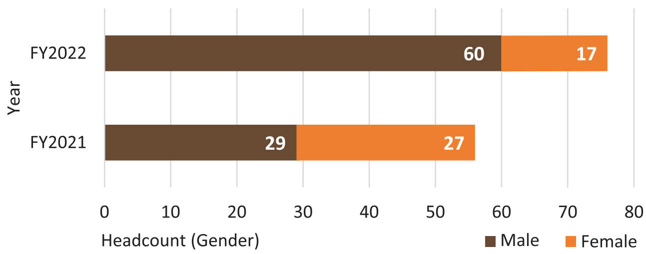
Employee Headcount by Region

Our workforce is well-diversified across five regions, Singapore, Malaysia, China, India and Other Countries, with a majority in Singapore of 40% in FY2022. The significant increase in manpower, especially in India from 49 in FY2021 to 91 in FY2022, is in line with the improved business performance during the year which led to higher demand for manpower to support the business operations. This displays the Group's practice of employment equality and fairness that shows no discrimination against various regions or nationalities.



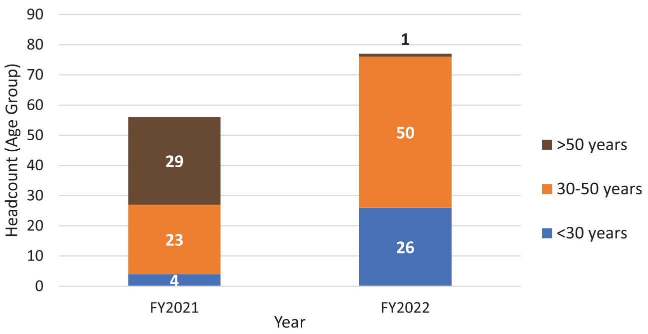
New Hires by Gender

In FY2022, Hafary welcomes 77 new hires to our family, a significant increase from 56 in FY2021, representing a notable 38% rise. There are 60 males and 17 females, representing 78% and 22% respectively. It can be noted that due to the improved business performance during the year, more male employees are required due to its labour-intensive essence, thus substantiating the hike in new male employee hires by 107% from FY2021 to FY2022, as compared to a drop in female hires.



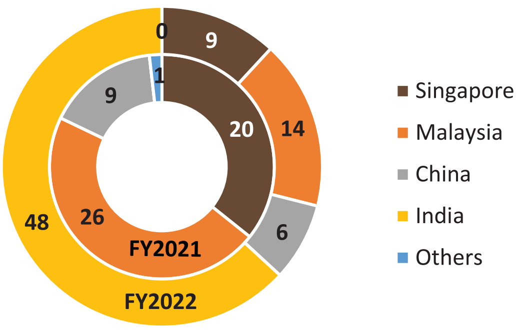
New Hires by Age Group

There is a distinct increase of new hires by 22 and 27 in the age groups of less than 30 years and 30 to 50 years respectively from FY2021 to FY2022. One key consideration is there was one new employee hire above 50 years of age in FY2022, down from 29 in FY2021. These are attributed to the Group's strategy towards a suitable and diversified talent acquisition.



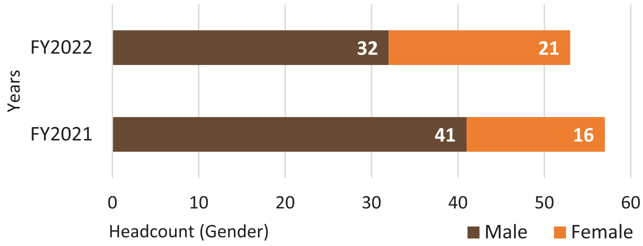
New Hires by Region

In FY2022, our new hires are well-diversified across the 5 regions, with a significant portion of 62% from India. New hires from India rose drastically from 0 to 48 from FY2021 to FY2022, and substantial rises in employee hires are observed in Singapore and Malaysia as well, by 12% and 18% respectively. This displays the dedication by the Group to promote equality and fairness with no regional or nationality discriminations and further validates the Group's tactical direction to attract and employ global talent.



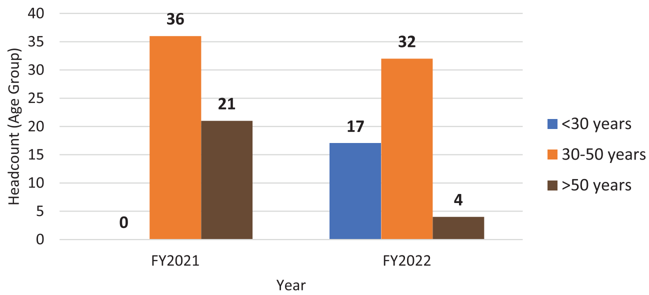
Employee Turnover by Gender

In FY2022, Hafary experienced an employee turnover of 53, down from 57 in FY2021, representing a 7% drop. This translates to an annual employee turnover rate of 15% in FY2022, an improvement from 18% in FY2021. Out of 53 turnovers in FY2022, 32 are males and 21 are females, which implies equality within our workforce where no gender experiences favouritism or bias, and that our workforce does not discriminate against any gender.



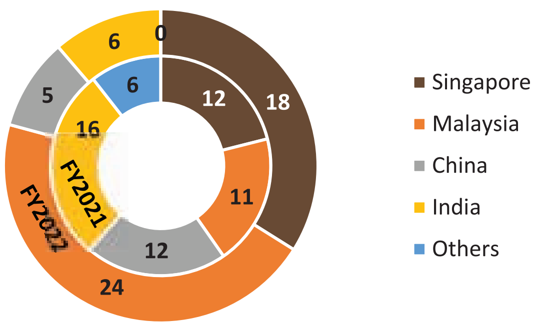
Employee Turnover by Age Group

Employee turnover has overall decreased, from 57 in FY2021 to 53 in FY2022. There is a decrease in employee turnover experienced by Hafary, in the age groups of between 30 to 50 years of age and over 50 years of age. On the other hand, in FY2022, Hafary experienced 17 employee turnovers for age group less than 30 years of age, a rise from zero in FY2021.



Employee Turnover by Region

In FY2022, employee turnover has generally maintained across all regions, though we discern that the preponderance of employee turnovers originates from Singapore and Malaysia, representing 34% and 45% respectively. There is a fall of employee turnover for China from 12 to 5 employee turnovers, and India from 16 to 6 employee turnovers. There are zero employee turnovers in the other countries in FY2022 where the Group has operations, down from 6 turnovers in FY2021.



We adopt fair employment protocols as well to not only attract the best-suited individuals and retain our talented, valuable employees but also foster a positive and nurturing corporate culture within the Group. An Employee Handbook and various policies are enacted to communicate and ensure fair employment practices.

To further retain our talented and treasured employees, we reward Long Service Awards for employees for 10 years of service. This award commends the employees for loyalty and allows Hafary to convey deep recognition and appreciation for these employees' contribution to the Group. Staff welfare initiatives, such as festive and occasional meals and events, employee birthday celebrations, and an annual dinner and dance, are organized accordingly.

Being a people-centric company, we deeply care for our employees and their well-being. Employees are entitled to a wide range of employment benefits, from medical and dental benefits to internal products discount and professional membership subsidies. To further foster a pro-family environment, employees are also entitled to not just annual leaves but marriage, paternal or maternal leaves, in addition to childcare leaves. This benefits package displays Hafary's deep, nurturing care for employees and its steadfast direction to human rights respect in terms of fairness, marriage, and family.

All employees are entitled to parental leave, in accordance with standards set by the Ministry of Manpower ("**MOM**"). In FY2022, six employees have taken parental leave and all employees have returned to work and are still under employment with the Group upon 12 months of returning from parental leave.

Occupational Health and Safety

FY2022 Occupational Health and Safety Targets and Performances

Target for FY2022	Performance in FY2022
Maintain zero fatal incidents and occupational diseases	Zero incidents in relation to any work-related injuries, fatalities and/or ill-health
Maintain zero incidents of material non-compliance with any applicable laws and regulation in relation to health and safety	Zero incidents of material non-compliance with any applicable laws and regulations

Hafary places huge importance in upholding rigorous standards of a safe, conducive workplace for all employees and customers. The Group implements appropriate occupational health and safety management systems to ensure management and employees are aware on what to do in the event of an emergency and are well-equipped on handling and responding to such situations. Safety briefings and drills are conducted regularly, in accordance with ISO14001:2004 standards, to ensure readiness. Hafary adopts a bottom-up approach as well, where workers are provided the opportunity to participate and share opinions on the development, implementation and evaluation of our occupational health and safety management system.

A safety-first culture is ingrained into our business model, spanning across all business divisions from senior management to executives. The management and employees undergo training and qualification courses to not only be educated on all hazards on business grounds, but also equip them with relevant skills to supervise safety, operate heavy machinery safely, as well as respond to fire incidents effectively and provide general first aid, when necessary. The Group's Human Resources Department tracks and records any industrial incident or injury, if any, and claims are filed accordingly with proper documentation. Hafary supports employees with medical and healthcare services through medical and hospitalisation leaves and benefits, on top of maternity, paternity, and childcare leave. Adopting such well-rounded occupational health and safety structure not only ensures overall workplace health and safety but respects our employees' human rights and drive its social impact in relation to marriage, work, and standard of living.

In FY2022, the Group reports zero incidents in relation to any work-related injuries, fatalities, and ill-health for all employees. The Group has achieved certifications regarding occupational health and safety that are valid during the reporting period. These certifications are well-recognised within the industry and establishes a rigid framework on risk management associated with occupational health and safety:

- ISO45001:2018;
- ISO9001:2015; and
- BizSafe Star, certified by Workplace Safety and Health Council Singapore.

Addressing COVID-19

Being customer centric as one of our core business practices, Hafary protects our employees and customers through safe and responsible business conduct. Both our employees and customers are valued assets and key resources to the long-term viability of our business and the Group wishes to protect and care for all stakeholders' well-being.

To combat COVID-19 and its risks, Hafary has implemented precautionary measures in reference and alignment with regulations and guidelines issued by the Ministry of Health ("**MOH**") and other relevant authorities. All employees returning to the workplace, or any other business ground, are strongly encouraged to conduct self-tests and update their immediate supervisor upon feeling unwell or had recent physical contact with an infected individual and must administer a negative test result before returning. Employees are also advised to consult medical practitioners if they are feeling unwell. In the event of a COVID-19 transmission, the affected staff is required to adhere to the latest protocols issued by the Ministry of Health to protect others from exposure. All Hafary business premises undergo disinfection and virtual meetings are encouraged to minimise physical contact. Face masks and hand sanitisers are also readily available, and employees are reminded to use them regularly. Considering Hafary's global network and reopening of borders, especially international travels involving China and the resurgence of new variants, Hafary will remain cautious to this exposure, and will monitor the situation closely and adapt accordingly swiftly.

In FY2022, there were no incidents of material non-compliance with applicable laws and regulations related to COVID-19, where significant fines and/or non-monetary sanctions were incurred.

Training and Development

Hafary heartily embraces lifelong learning as it is the core in personal and professional growth, development, and enrichment. Our employees participate in both internal and external training courses and programmes to not only fulfil the relevant compliance-related trainings but also to keep abreast with evolving industry trends, stay competitive in the workforce through skill upgrading, further our human rights motion and finally, maintain our competitive advantage in the industrials sector.

In FY2022, training and development programmes are offered across the board, from executives to top, senior management. The courses Hafary offer cover a wide scope. Workplace safety briefings and trainings are provided to ensure all employees are well-aware and educated on all inherent safety and operational risks and hazards and how to handle them in every business activity, in addition to courses on inculcating a safe, inclusive workplace culture. Courses on relevant industry and trade skills, first aid and heavy equipment operation are offered to obtain the proper credentials and licenses to engage in client projects and business activities smoothly, as well as operate machinery and equipment safely. Directors, specifically those with no prior experience or newly appointed, can undergo training to be clear on their responsibilities and obligations with the Group as well as on governance risks, enterprise risk management, and relevant statutory and regulatory compliance matters.

The Group has devoted immense focus towards continual learning, especially so in FY2022, with a sizeable increase in average training hours per employee across all genders and employee categories, from one hour in FY2021 to approximately five to six hours in FY2022. The governance body (the Board of Directors and Management) engage in four hours of sustainability training in FY2022 to be clearly aware on current and upcoming sustainability directives and how to steer the Group towards its sustainability objectives.

In FY2022, all employees, regardless of gender or employee category, have undergone their annual performance and career development reviews, as conducted by the respective department heads, to assess and judge their work performance and career progression. At the same time, work-related feedback is sought from employees to improve their working environment.

Investing more resources and attention towards training and development, Hafary ensures a competent and adaptable workforce in this ever-changing business landscape and uncertain macroeconomic conditions, and further exhibits a deeper commitment to promote human rights through equality, and rights to work and education opportunities. Employees are equipped with latest skills and qualifications to stay ahead of the curve, achieve their top potential, and advance their careers. The Group tremendously enhances their human capital and further contribute to employee satisfaction and quality of life, which strongly correlates to performance. Workforce productivity is raised and essentially, achieve our goal to enhance operational efficiency and create value for the Group and its stakeholders.

Local Communities

The Group firmly endorses corporate social responsibility and believes deeply in contributing to society. The Group has an existing local community development programme based on the various local communities' needs to minimise and mitigate negative social impacts while driving positive social impacts and returns for these communities.

In FY2022, Hafary has committed to charitable events and donations, and cash sponsorships to numerous organisations, in addition to displaying support to six causes of rendering financial assistance and supporting charities and organisations. These corporate directives to drive social impact and returns span across the following causes:

- Entrepreneurship
- Environment
- Enrichment
- Community Service
- Arts
- Sports

We did not set any targets, proxies, or performance metrics to quantify community contributions and social returns and impact, to prevent projecting any false impression of the Group to our stakeholders. However, we have always and will continue to champion corporate social responsibility and actively participate in charity events, campaigns, and worthy causes, and ultimately, generate positive social impact and returns through community service and espouse relevant benevolent causes moving forward.

Our Targets

In FY2022, Hafary has devoted strong and eager commitment towards driving positive social impacts and returns with no salient human rights issues and wishes to continue this unwavering passion towards corporate social responsibility and creating impactful social value.

Moving forward, to better align targets with our strategic objectives of providing fair employment practices and opportunities and cultivating a collaborative, safe workforce of the future, we have established the following targets.

Material Topics	Short-Term Target (1-2 years)	Medium-Term Target (2030)	Long-Term Target (2050)
Employment Practices	• Improve talent acquisition and employee retention. • Increase diversity of employees. • Maintain average monthly turnover rate below 3% • Engage more staff welfare campaigns to maintain employee well-being	• Maintain gender, regional and age diversity of workforce • Maintain average monthly turnover rate below 3% • Engage more staff welfare campaigns to maintain employee well-being	
Occupational Health and Safety	• Maintain zero incidents of material non-compliance with applicable laws and regulations related to COVID-19.	• Maintain zero incidents of material non-compliance with all applicable health and safety laws, as well as regulations concerning the health and safety of our operations. • Maintain zero incidents related to work-related injuries, fatalities, or ill-health.	
Training and Development	• Offer internal and external trainings that are essential and beneficial to the development and career progression of our employees at all levels. • Continue annual sustainability training for the Group and its employees.	• Continue providing internal and external training courses and programmes. • Increase the average training man-hours by 5%. • Continue annual sustainability training for the Group and its employees.	• Continue providing internal and external training courses and programmes. • Increase the average training man-hours by 10%. • Continue annual sustainability training for the Group and its employees.
Local Communities	• Promote corporate social responsibility through charitable initiatives, supporting more social causes, and active social contributions.		

SUSTAINABILITY REPORT

GOVERNANCE

The Board and Management of Hafary complies with the Singapore Code of Corporate Governance 2018 and is highly dedicated to achieving the highest standards in corporate governance. At Hafary, we firmly believe that a strong, constant drive for corporate excellence provides a framework for a transparent, ethical, and accountable ecosystem, thereby increasing the value of the Company and its value to stakeholders, while safeguarding shareholders' interests. Ultimately, adopting the best practices in corporate governance can not only breed confidence in our stakeholders but also pave the direction to respect human rights and ultimately, promote and maintain long-term sustainability of the Group's operations across all jurisdictions and performance.

Business Conduct and Ethics

FY2022 Business Conduct and Ethics Targets and Performances

Target for FY2022	Performance in FY2022
Maintain zero incidents of material non-compliance with Code of Corporate Governance.	Zero incidents of material non-compliance with Code of Corporate Governance.
Maintain zero incident of material non-compliance with Code of Business Ethics and Conduct and non-discrimination.	Zero incidents of material non-compliance with Code of Business Ethics and Conduct and non-discrimination.
Ensure all significant allegations received are promptly addressed, if any.	Zero significant allegations reported and received.

At Hafary, we strive to conduct business in an ethical, transparent manner. The importance of upholding the highest standards of business conduct and ethics in all facets of the Group's operations are emphasised deeply to all employees. The Group conducts all business dealings with the utmost integrity, professionalism, and transparency, and displays their unwavering commitment to respect human rights, through the efficient management of conflicts of interest and effective implementation of whistleblowing policies.

Management of Conflicts of Interest

Hafary has put in place a Code of Conduct for Ethics for the Group, which purpose is to guide the directors and employees on any aspect of ethical risk. It establishes a framework where integrity and accountability are key, fundamental principles of ethics and professionalism expected of all directors and employees when performing their fiduciary duties and job responsibilities objectively in the best interests of the Company. The directors and employees of the Group must declare any potential or actual conflict of interest with their respective responsibilities to the Group's Human Resources Department as soon as they are aware of the circumstance that resulted in the actual or perceived conflict. Personnel with any conflict of interest must recuse themselves from the entire process and abstain from any deliberations, decision-making and voting matters. The Audit Committee ("**AC**") reviews, prevents, and mitigates all potential conflicts of interest, if any arises.

Whistleblowing Policy

The Group has established a whistleblowing policy for all employees and external parties to raise concerns about any real or perceived misconduct, financial or non-financial malpractice or irregularity within the Group. Under this policy, employees or any other person may report suspected matters of wrongdoing, breach of applicable laws, regulations, or policies, and/or failure of internal controls affecting the Group to the Audit Committee. The objective of this reporting is to direct and ensure independent investigations into genuine reported concerns with prompt and appropriate follow-up actions.

Please refer to Pages 74 to 75 of the Annual Report for FY2022 for more information on our whistleblowing policy.

Legal & Regulatory Compliance

Being regulatory compliant with all applicable local and international laws and regulations in the respective jurisdictions is a paramount priority of Hafary, as it allows us to foster stronger trust and good faith amongst our stakeholders and further establish a much deeper and stronger foothold in the building materials industry.

To ensure strict compliance with all relevant laws and regulations, we have engaged external legal advisors to review all contracts and covenants and keep track of our legal and regulatory obligations. To keep abreast of any amendments in existing laws and regulations and/or introduction of new ones, our legal advisors will provide us with their professional advice regarding these updates. Hafary has established internal policies regarding investor relations and privacy as well to comply with the relevant laws and regulations. Adhering to these internal policies and respective jurisdictional laws and regulations further demonstrate Hafary's pro-human rights direction by protecting privacy rights and freedom of speech and expression.

In addition, the Group's policy on labour standards follows the regulations and guidelines set by the Ministry of Manpower, and bars discrimination, child labour and forced labour in all facets of our operations and business activities performed by business associates, contractors, and subcontractors. Having structured labour standards in place shows Hafary's dedication towards socially responsible conduct and its impact, and human rights protection through forbidding discrimination, slavery and any inhuman treatment whilst promoting equality and fairness.

In FY2022, there were no incidents of non-compliance and violations of any applicable laws and regulations for any instance where fines and/or non-monetary sanctions were incurred.

Anti-corruption Practices

FY2022 Anti-corruption Practices Targets and Performances

Target for FY2022	Performance in FY2022
Maintain zero incidents of corruption of any nature brought against the Group or its employees.	Zero public cases and confirmed incidents of corruption of any nature brought against the Group or its employees.

As a Mainboard-listed company on the Singapore Stock Exchange ("**SGX**") with international presence, Hafary is dedicated to complying with all relevant local and international laws and regulations related to corruption of any nature, as well as upholding the highest moral and legal standards in the Group's business.

Hafary maintains a zero-tolerance stance against corruption of any form, including and not limited to bribery, extortion, fraud, and money laundering. The Audit Committee reviews and discusses with the External Auditor and Internal Auditor, if any, any suspected fraud, irregularity or infringement of any relevant laws, rules, and regulations, which possess material impact on our operating results or financial position and thereby, follow up with the Management for the appropriate response and action.

Establishing the anti-corruption practices instils checks and balances, and displays Hafary's commitment towards strengthening accountability, improving transparency, and increasing participation, 3 key attributes of good governance in the promise to advocate for human rights and equality.

The anti-corruption policy and practices have been readily communicated and relevant training has been provided to the Group's governance body (the Board of Directors and Management Committee), building awareness and the necessary capacity to combat corruption. An internal enterprise risk management team is established as well to oversee anti-corruption and its related risks.

Since FY2020, up till the current reporting period, FY2022, there were no public cases and confirmed incidents of corruption of any nature brought against the Group or its employees, where for instance, either employees were dismissed or disciplined for corruption, or contracts with business partners were terminated or not renewed due to violations regarding corruption.

Our Targets

A robust corporate governance, alongside ethical business practices with the absence of corruption are vital for Hafary's reputation, performance, and fulfilment of sustainability goals, and ultimately, profitability. The Group wishes to maintain and uphold this clean, consistent, and stellar track record long-term and aims to not only conduct business with top standards but also continue its full compliance with all applicable laws, regulations, and policies and further demonstrate their strong, responsible commitment to respect and advocate for human rights.

<table>
<tr><th>Material Topics</th><th>Short-Term Target (1-2 years)</th><th>Medium-Term Target (2030)</th><th>Long-Term Target (2050)</th></tr>
<tr><td>Business Conduct and Ethics</td><td colspan="3">• Maintain zero incidents of non-compliance and violations with the Singapore Code of Corporate Governance 2018
• Maintain zero incidents of non-compliance and violations with Code of Business Ethics and Conduct and non-discrimination
• Maintain zero incidents of material non-compliance with all applicable law and regulations.
• Ensure all significant allegations received are promptly addressed, if any
• Ensure human rights concerns and directive are recognized at the Board level and adopted through the value chain through risks and impact identification, prevention, and mitigation</td></tr>
<tr><td>Legal & Regulatory Compliance</td><td colspan="3">• Maintain zero incidents of non-compliance and violations of any applicable laws and regulations for any instance where fines and/or non-monetary sanctions were incurred.</td></tr>
<tr><td>Anti-corruption Practices</td><td colspan="3">• Maintain zero public cases and confirmed incidents of corruption of any nature brought against the Company or its employees
• Ensure values of human rights aligns with good governance in related to anti-corruption</td></tr>
</table>

ECONOMIC

Hafary is committed to be the leading supplier of building materials, and we strive to achieve strong, sustainable economic performance and exceed customers' expectations with our extensive global network, professional corporate relationships, robust inventory capabilities and management, and vast experience in the building material industry. As we aspire to provide competitive, cutting-edge products for our clients' projects and enhance operational efficiency, we seek to deliver exceptional and professional customer service and ultimately, create long-term value for all stakeholders, promote growth and scalability, and boost profitability.

For the Group's detailed financial results, please refer to the following sections of our Annual Report for FY2022:

- Financial Highlights, pages 19 to 20
- Financial Review, pages 21 to 27
- Financial Statements, pages 88 to 156

We aim to produce sustained growth in shareholder value and strive to have no significant tax penalties incurred. We will remain cautious with regards to uncertain and volatile market conditions, with a forecasted potential recession, and will continue to stay vigilant in managing rising costs, due to inflationary pressures, and improve operational efficiencies with the ultimate goal in mind, raise profitability.

GRI CONTENT INDEX

GRI Standard	Disclosure Number & Title	Section Reference
GRI 2: General Disclosures 2021	2-1 Organisational details	Annual Report: Corporate Profile
	2-2 Entities included in the organisation's sustainability reporting	Annual Report: Corporate Profile
	2-3 Reporting period, frequency and contact point	Sustainability Report: About this report
	2-4 Restatements of information	Not applicable
	2-5 External assurance	Hafary has not sought external assurance for this reporting period, and may consider it in the future
	2-6 Activities, value chain and other business relationships	Annual Report: Corporate Governance Statement
	2-7 Employees	Sustainability Report: Social
	2-8 Workers who are not employees	Not applicable
	2-9 Governance structure and composition	Annual Report: Corporate Governance Statement Sustainability Report: Our Sustainability Steering Committee
	2-10 Nomination and selection of the highest governance body	Annual Report: Corporate Governance Statement
	2-11 Chair of the highest governance body	Annual Report: Corporate Governance Statement
	2-12 Role of the highest governance body in overseeing the management of impacts	Annual Report: Corporate Governance Statement
	2-13 Delegation of responsibility for managing impacts	Annual Report: Corporate Governance Statement Sustainability Report: Our Sustainability Steering Committee
	2-14 Role of the highest governance body in sustainability reporting	Annual Report: Corporate Governance Statement
	2-15 Conflicts of interest	Annual Report: Corporate Governance Statement
	2-16 Communication of critical concerns	Annual Report: Corporate Governance Statement
	2-17 Collective knowledge of the highest governance body	Annual Report: Corporate Governance Statement
	2-18 Evaluation of the performance of the highest governance body	Annual Report: Corporate Governance Statement
	2-19 Remuneration policies	Annual Report: Corporate Governance Statement
	2-20 Process to determine remuneration	Annual Report: Corporate Governance Statement
	2-21 Annual total compensation ratio	Annual Report: Corporate Governance Statement
	2-22 Statement on sustainable development strategy	Annual Report: Corporate Governance Statement Sustainability Report: Our Sustainability Steering Committee

GRI Standard	Disclosure Number & Title	Section Reference
	2-23 Policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: • Governance - Business Conduct and Ethics • Governance - Legal & Regulatory Compliance
	2-24 Embedding policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: • Governance - Business Conduct and Ethics • Governance - Legal & Regulatory Compliance
	2-25 Processes to remediate negative impacts	Annual Report: Corporate Governance Statement
	2-26 Mechanisms for seeking advice and raising concerns	Annual Report: Corporate Governance Statement
	2-27 Compliance with laws and regulations	Annual Report: Corporate Governance Statement Sustainability Report: • Governance - Business Conduct and Ethics • Governance - Legal & Regulatory Compliance
	2-28 Membership associations	• Building and Construction Authority • Singapore Business Federation
	2-29 Approach to stakeholder engagement	Sustainability Report: Stakeholder Engagement
	2-30 Collective bargaining agreements	Not applicable, no collective bargaining agreements are in place
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Report: Materiality Assessment
	3-2 List of material topics	
	3-3 Management of material topics	
Topic-specific disclosure		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainability Report: • Economic • TCFD Climate Risk Analysis
	201-2 Financial implications and other risks and opportunities due to climate change	
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Sustainability Report: • Social - Training and Development • Governance - Anti-corruption Practices
	205-2 Communication and training about anti-corruption policies and procedures	
	205-3 Confirmed incidents of corruption and actions taken	

GRI Standard	Disclosure Number & Title	Section Reference
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Sustainability Report: • Greenhouse Gas Emissions • Energy Consumption
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reductions in energy requirements of products and services	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Sustainability Report: Greenhouse Gas Emissions
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-4 GHG emissions intensity	
	305-5 Reduction of GHG emissions	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report: Employment Practices
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Sustainability Report: Occupational Health and Safety
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-9 Work-related injuries	
	403-10 Work-related ill health	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report: Training and Development
	404-2 Programmes for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Sustainability Report: • Social - Employment Practices • Governance – Business Conduct and Ethics
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Sustainability Report: Legal & Regulatory Compliance
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability Report: Legal & Regulatory Compliance
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Sustainability Report: Social – Local Communities

TCFD DISCLOSURES

Governance		
TCDF 1(a)	Describe the board's oversight of climate-related risks and opportunities.	Sustainability Report: Roles and responsibilities of the SSC
TCFD 1(b)	Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy		
TCFD 2(a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Sustainability Report: - Our Sustainability Steering Committee - TCFD Climate Risk Analysis
TCFD 2(b)	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	
TCFD 2(c)	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management		
TCFD 3(a)	Describe the organisation's processes for identifying and assessing climate-related risks.	Sustainability Report: Roles and responsibilities of the SSC
TCFD 3(b)	Describe the organisation's processes for managing climate-related risks.	
TCFD 3(c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and Targets		
TCFD 4(a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Sustainability Report: Metrics and Targets
TCFD 4(b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	
TCFD 4(c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	

CORPORATE INFORMATION

Board of Directors

ONG BENG CHYE
Independent Non-Executive Chairman

LOW KOK ANN
Executive Director and CEO

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

LOW SEE CHING
Non-Independent Non-Executive Director

CHEAH YEE LENG
Non-Independent Non-Executive Director

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

TERRANCE TAN KONG HWA
Independent Director

FOO YONG HOW
Independent Director

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Company Secretary

TAY ENG KIAT JACKSON

Registered Office/Headquarters

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

Share Registrar

BOARDROOM CORPORATE &
ADVISORY SERVICES PTE. LTD.
1 Harbourfront Avenue I #14-07 Keppel Bay Tower I
Singapore 098632

Share Listing

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

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

Independent Auditor

RSM CHIO LIM LLP
8 Wilkie Road I #03-08 Wilkie Edge I Singapore 228095
Partner-in-charge: Tay Hui Jun, Sabrina
Effective from reporting year ended 31 December 2021

Internal Auditor

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

Legal Advisors

TSMP LAW CORPORATION
6 Battery Road, Level 5 I Singapore 049909

Principal Bankers

DBS BANK LIMITED
MALAYAN BANKING BERHAD
RHB BANK BERHAD
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
UNITED OVERSEAS BANK LIMITED

CORPORATE GOVERNANCE STATEMENT

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

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

THE BOARD'S CONDUCT OF AFFAIRS

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

Provision 1.1 of the Code: Directors are fiduciaries who act objectively in the best interests of the company

The Board comprises eight (8) Directors as follows:

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

At least one-third of the Board is made up of Independent Directors who have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively to the Company. All Directors are expected, in the course of carrying out their duties, to act in good faith, provide insights and discharge their duties and responsibilities in the interests of the Group. The Board has adopted a Code of Conduct and Ethics for Directors ("Code of Conduct") which serves to guide the Directors on the areas of ethical risk and sets a framework where integrity and accountability are paramount as well as ethical conduct expected from the Directors in the performance of their duties. Directors should strive to adhere to the Code of Conduct. The Company has in place practices to address potential conflicts of interests. All Directors are required to notify the Company promptly of all conflicts of interest as soon as practicable as well as when required and refresh the required declarations annually. Where an actual, potential and perceived conflict of interest arises, the concerned Directors must recuse themselves from discussions and decisions involving the matter and abstain from voting on the resolution relating to the matter. The Board has established the Terms of Reference of the Board to promote high standards of corporate governance. The Terms of Reference of the Board outline high level duties and responsibilities of the Board and matters that are specifically reserved for the Board. It is a comprehensive reference document for Directors on matters relating to the Board and its processes, as well as role and responsibilities of the Board, its committees and management to ensuring effective communication and decisions.

The Board's role is to:

a) Oversee the management of the Group;

b) Set strategic objectives and ensure that the necessary financial, strategies and human resources are in place for the Group to meet its objectives;

c) Delegates the formulation of business policies and the day-to-day management of the Group to the Executive Director and CEO and management to ensure operations and performance of the Group are aligned with the strategies; and

d) Consider sustainability issues, e.g. environmental and social factors as part of its strategic formulation.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects on a half-yearly basis. While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to the management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act 1967 and the Singapore Financial Reporting Standards (International).

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

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

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. The orientation for new Directors includes visits to the Group's key premises to familiarise themselves with the Company's operations. Such visits also allow new Directors to get acquainted with senior management, thereby facilitating interaction with the Board and independent access to senior management. Appropriate training shall be arranged upon request by newly-appointed Directors to ensure that newly-appointed Directors are fully aware of their responsibilities and obligations as Directors. Rule 210(5)(a) of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires a Director who has no prior experience as a Director of a company listed on the SGX-ST, to attend the training programmes conducted by the Singapore Institute of Directors ("SID") as prescribed in Practice Note 2.3 of the Listing Manual of the SGX-ST. There is no new appointment in the financial year ended 31 December 2022 ("FY2022").

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

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

The Group keeps the Directors informed via electronic mail and briefing conducted during Board meetings on new laws, changes to the laws, regulatory compliance issues and financial reporting standards, changes to the financial reporting standards are monitored closely by the management. In addition, during FY2022 all the Board members have completed the mandated sustainability training course organised by SID and the Institute of Singapore Chartered Accountants (ISCA) as required by the enhanced SGX sustainability reporting rules announced in December 2021.

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

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

a) The appointment of Directors to the Board and senior management staff;

b) Major investments decisions of the Group, including new investments and any increase in existing investments in businesses and the subsidiaries of the Group;

c) Any divestments to be undertaken by any of the Group's subsidiaries;

d) Major funding decisions, including share issuances;

e) Interim and final dividends and other returns to shareholders;

f) Commitments to borrowing facilities from banks and financial institutions by the Company;

g) Interested person transactions;

h) Acquisitions and disposal of assets exceeding the limits set by the Board;

i) Expenditures exceeding the limits set by the Board; and

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

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

Provision 1.4 of the Code: Board committees

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

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

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

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

Attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2022 ("FY2022") is as follows:

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

Note:
* Attended by invitation

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

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

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

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

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

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

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

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

a) Administers, attends and prepares minutes of all Board and Board Committees meetings;

b) Assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and Listing Manual of the SGX-ST;

c) Advises the Board on all corporate governance matters;

d) Assists the Independent Non-Executive Chairman in ensuring good information flows within the Board, Board Committees and between the management and the Independent Directors; and

e) Communication channel between the Company and SGX-ST. The Company Secretary attends all Board and Board Committees meetings and is responsible to ensure that Board procedures are followed.

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

BOARD COMPOSITION AND GUIDANCE

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

Provision 2.1 of the Code: Director's Independence

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

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

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

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

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

As at the end of FY2022, Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa have served on the Board beyond nine years from the date of their first appointment. The NC and the Board have conducted a rigorous review of their independence and contributions to the Board to determine if they still remained independent and carry out their duties objectively. Under such rigorous review, each Independent Director has confirmed that neither he nor any of his immediate family has any relationship or business dealings with a controlling shareholder, Director or key management personnel or their associates that would give rise to a conflict of interest or impairment of the Independent Director's independence. The NC and the Board are of the view that Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa possess valuable experience and knowledge, as well as maintained their objectivity and independence at all times in the discharge of each of their duties as an Independent Director of the Company.

Mr Ong Beng Chye's and Mr Terrance Tan Kong Hwa's continued appointment as Independent Directors have been sought and approved in separate resolutions by (i) all shareholders and (ii) shareholders, excluding the Directors and CEO at the AGMs held on 14 April 2021 and 7 April 2022 respectively, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. The resolutions will remain in force until the earlier of: (i) Mr Ong Beng Chye and/or Mr Terrance Tan Kong Hwa's retirement or resignation as Independent Directors; or (ii) the conclusion of the third AGM of the Company following the passing of the resolutions in relation to their continued appointments.

On 11 January 2023, SGX RegCo announced the removal of Listing Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. Mr Ong Beng Chye and Mr Tan Kong Hwa will continue to serve as independent directors of the Company until the annual general meeting held for financial year ended on 31 December 2023.

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

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

a) All candidates are included for consideration during the search for new appointments to the Board regardless of gender, age, nationalities or ethnicity;

b) There is appropriate mix of gender representation on the Board, taking into account the skills and experience the candidates can contribute; and

c) External search consultants when looking for suitable candidates for appointment to the Board will be specifically directed to include diverse candidates and women candidates in particular.

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

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

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

In recognition of the importance and value of gender diversity in the composition of the Board, the Company undertakes to have at least one representation of female director on the Board. The Board has one female director currently. Ms Cheah Yee Leng has been member of the Board since March 2015.

In addition, the Board consists of directors with ages ranging from mid-40s to mid-70s, who have served on the Board for different tenures. The Board members with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.

The NC and the Board will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. It will also continue its identification and evaluation of suitable candidates to ensure there is diversity (including gender diversity) on the Board.

The NC has put in place a skills matrix which classifies into the following core competencies, skills, experiences and knowledge of Directors:

Balance and Diversity of the Board	Number of Directors	Proportion of the Board
Core Competencies		
Accounting or finance related	3	37.5%
Business and management experience	1	12.5%
Legal and Regulatory	1	12.5%
Relevant industry knowledge	2	25.0%
Strategic planning experience	1	12.5%
Human Resource Management	–	–
Gender		
Male	7	87.5%
Female	1	12.5%
Age Group		
41 - 50	2	25.0%
51 - 60	4	50.0%
61 - 70	1	12.5%
71 - 80	1	12.5%
Independent Directors been with the Company		
> 9 years	2	25.0%
< 9 years	1	12.5%
Independence		
Independent directors	3	37.5%
Non-Independent directors	5	62.5%
Directors' Citizenship		
Singapore Citizen	4	50.0%
Malaysia Citizen	4	50.0%

The NC ensures that the size of the Board is conducive to effective discussion and decision-making, and that the Board has an appropriate number of Independent Directors to provide diversity in expertise, knowledge and experience as well as age and gender. Members of the Board include seasoned professionals in engineering, finance and business management. The Board believes that its members' different backgrounds, skill sets, experience, age and gender provide a diversity of perspectives which contribute to the quality of its decision-making.

The NC is of the view that the current Board comprises persons who collectively possess the necessary core competencies, and as a group, provide an appropriate level of independence and diversity of skills, experience and knowledge of the Company, and that the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations.

The NC will also continue to assess independence, bearing in mind Principle 2 of the Code and Provisions 2.2 and 2.3 of the Code, in any change in the Board composition when appropriate, as part of the Board's renewal process.

The NC believes that there is an appropriate balance of industry knowledge, skills, background, experience, professional qualifications and age on the Board, and is satisfied that the objectives of the Board Diversity Policy continue to be met.

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

To facilitate a more effective check on the management, the Independent Directors meet at least once a year, each with the Group's Internal and External Auditor without the presence of the management. Where necessary, the Company co-ordinates informal meeting sessions for Non-Executive Directors and Independent Directors to meet without the presence of the management. The Independent Directors also communicate with each other from time to time without the presence of the management to discuss the performance of the Management and any matters of concern. Feedback arising from such meetings or discussions is provided to the Board, as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Provision 3.3 of the Code: Lead Independent Director	The Group's Independent Non-Executive Chairman, Mr Ong Beng Chye is also the Lead Independent Director. As Lead Independent Director, he coordinates sessions for the Independent Directors to meet without the presence of other Directors, if required. As both the Lead Independent Director and Non-Executive Chairman, he is available to shareholders through the normal channels when they have concerns.
Principle 4 of the Code: BOARD MEMBERSHIP	**The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.**
Provision 4.1 of the Code: NC to recommend to the Board on relevant matters	The NC comprises Mr Terrance Tan Kong Hwa, Mr Ong Beng Chye and Mr Foo Yong How, all of whom are Independent Directors. The Chairman of the NC is Mr Terrance Tan Kong Hwa.
Provision 4.2 of the Code: Composition of the NC	The key Terms of Reference of the NC are as follows:

a) Review the Board and Board Committees structure, size, and composition annually;

b) Identify suitable candidate and review all nominations on appointment and re-appointment of Directors;

c) Determine annually whether or not a Director is independent, guided by the independent guidelines contained in the code;

d) Develop a performance evaluation framework for the Board, the Committee and Individual Directors, and proposing objective performance criteria to assess the effectiveness of the Board, the Committee and Individual Directors;

e) Review and decide if a Director, who has multiple board representations on publicly listed companies, is able to and has been adequately carrying out his/her duties as a Director of the Company;

f) Review and recommend training and professional development programme for the Board;

g) Assess whether each director is able to and has been adequately carrying out his duties as Director of the Company;

h) Review of succession plans for Directors, CEO and key management personnel of the Company; and

i) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual of the SGX-ST.

Pursuant to Article 104 of the Company's Constitution, at least one-third of the Company's Directors shall retire from office by rotation at every Annual General Meeting ("AGM") of the Company. The retiring Directors shall be eligible for re-election pursuant to Rule 720(5) of the Listing Manual of the SGX-ST, every Director must submit themselves for re-nomination and re-appointment at least once every three years.

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

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

a) Mr Low Kok Ann; and

b) Mr Ong Beng Chye

The Board has accepted the NC's recommendations of the above re-elections of Directors and Mr Low Kok Ann and Mr Ong Beng Chye have offered themselves for re-election at the forthcoming AGM. Please refer to "Board of Directors" and "Additional Information on Directors Seeking Re-election" sections of the Annual Report for details and information of the above Directors.

Mr Ong Beng Chye's continued appointment as Independent Director has been sought and approved in separate resolutions by (i) all shareholders and (ii) shareholders, excluding the Directors and CEO at the AGM held on 7 April 2022, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. The resolutions will remain in force until the earlier of: (i) Mr Ong Beng Chye's retirement or resignation as Independent Director; or (ii) the conclusion of the third AGM of the Company following the passing of the resolutions in relation to Mr Ong's continued appointment. On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced Listing Rule changes to limit to nine years the tenure of Independent Directors serving on the boards of listed companies and to remove the two-tier vote mechanism for listed companies to retain long-serving Independent Directors who have served for more than nine years. The two-tier vote was removed on 11 January 2023. To facilitate the transition, Independent Directors whose tenure exceeds the nine-year limit can continue to serve as independent directors until the listed companies' annual general meeting (AGM) held for the financial year ending on or after 31 December 2023. In view of the change, the Company will look for suitable candidates to be appointed in place of Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa as Independent Directors of the Company before the next AGM held for the financial year ending on 31 December 2023.

Mr Low Kok Ann will, upon re-election as Director of the Company, remain as Executive Director and CEO and will be considered non-independent.

Mr Ong Beng Chye will, upon re-election as Director of the Company, remain as Independent Non-Executive Chairman, Chairman of AC and Member of NC and RC and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

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

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

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

a) Expertise and experience of the candidate and whether they have discharged their duties adequately as Directors of the Company, officers of other companies and/or professionals in the area of expertise;

b) Independence of the candidate (for Independent Directors);

c) Appointment or re-appointment will not result in non-compliance with any composition requirements for the Board and Board Committees; and

d) Whether the candidate is a fit and proper person in accordance with Monetary Authority of Singapore's ("MAS") Guidelines on Fit and Proper Criteria, which broadly take into account the candidate's honesty, integrity and reputation; his or her competence and capability; and financial soundness.

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

The Board of the Company does not comprise any alternate Director. No alternate Director was appointed throughout during FY2022.

The Board has adopted the Directors' Fit and Proper Policy ("F&P Policy") which sets out the approach for the appointment and re-election of directors in which the Company and its subsidiaries. The F&P Policy serves to guide the NC and the Board in their reviews and assessments of suitable candidates that are to be appointed to Board and its subsidiaries as well as Directors who are seeking for re-election. The F&P Policy is also to ensure that the directors possess the requisite character, integrity, experience, competence, time commitment and financial soundness and integrity to carry out their roles and responsibilities effectively in the best interest of the Company and its stakeholders.

Provision 4.4 of the Code: Circumstances affecting Directors' Independence

Having regard to the circumstance sets set forth in Provision 2.1 of the Code, the Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board pursuant to section 156 of the Companies Act 1967.

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

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

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

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

The NC is satisfied that sufficient time and attention were given by the Directors to the affairs of the Company during FY2022, notwithstanding that they hold directorships in other listed companies and have other principal commitments, and will continue to do so in FY2023.

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

BOARD PERFORMANCE

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

Provision 5.1 and 5.2 of the Code: Assessment of effectiveness of the Board and Board committees and assessing the contribution by the Chairman and each Director

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

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

During the FY2022, the NC met once and assessed the Board, Board Committees and individual Directors. The NC was satisfied with the outcome of the evaluations and both the NC and the Board are of the view that the Board has met its performance objectives for FY2022. No external facilitator was engaged in the performance assessment.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Provision 6.2 of the Code: Composition of RC

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

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

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

a) Review and recommend to the Board a general framework of remuneration for the Board and key management personnel;

b) Review and recommend to the Board the specific remuneration packages for each Director and key management personnel;

c) Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;

d) Determine the appropriateness of the remuneration of Non-Executive Directors taking into consideration their effort, time spent, responsibilities and level of contribution;

e) Review the ongoing appropriateness and relevance of the Company's remuneration policy;

f) Administer the Hafary Performance Share Plan ("Hafary PSP") and any other share option scheme established from time to time for the Directors and the management;

g) Work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and

h) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or SGX Listing Rules (Mainboard).

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

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

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

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

The Executive Director and CEO does not receive Director's fees and is paid based on his Service Agreement with the Company. In setting the remuneration packages of the Executive Director and CEO, the Company takes into account the performance of the Group and that of the Executive Director and CEO which is aligned with long term interest of the Group. The RC has reviewed and approved the Service Agreement of the Executive Director and CEO which is valid for 3 years. The Service Agreement entered into between the Executive Director and CEO and the Company was renewed on 22 February 2022. The RC is of the view that the Service tenure of the current Service Agreement is not excessively long and there are no onerous termination clauses.

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

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

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

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

Provision 6.4 of the Code: Expert advice on remuneration

The RC members are familiar with management compensation matters as they manage their own businesses and/or are holding Directorships in other listed companies. If necessary, the RC may seek professional advice on remuneration of all Directors. During FY2022, no external remuneration consultants were engaged.

LEVEL AND MIX OF REMUNERATION

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

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

The Group's remuneration policy is to provide compensation packages at market rates to reward, retain and motivate high levels of performance. In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual.

The RC determines and reviews the remuneration packages for all Directors based on their job functions, the performance of the Group and their individual performance. Non-executive directors are being paid by directors' fees, which are determined by the full Board based on their contributions and scope of responsibilities. The payment of Directors' fees is subject to the approval of shareholders at each AGM. No director is involved in deciding his own remuneration.

Remuneration of the Executive Director and CEO and Group's key management personnel comprise a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component which comprises bonuses is linked to the performance of the Company and the individual. In FY2022, variable or performance related income/bonus made up between 18% to 87% of the total remuneration of the Executive Director and CEO and each of the Group's key management personnel. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholder value creation.

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

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

Long term incentive schemes are provided in the form of Hafary PSP for eligible employee. Details of the Hafary PSP are disclosed in the Statement by Directors and in this Statement. During FY2022, no performance shares were granted, vested or cancelled under the Hafary PSP.

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

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

DISCLOSURE ON REMUNERATION

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

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

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

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

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, the chief executive officer and key management personnel should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the chief executive officer should specify the names, amounts and breakdown of remuneration.

This Annual Report discloses (i) the names, amounts and a breakdown of the remuneration of each director of the Company in bands of S$250,000, including a percentage breakdown of the variable and fixed remuneration received by our Executive Director and CEO; (ii) how the Executive Director and CEO's remuneration package is aligned with interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration which is in the form of a cash bonus linked solely to the Group's profit before income tax for a particular financial period; and (iii) the names, amount and breakdown of its top five key management personnel in percentage bands no wider than S$250,000, and the variable component of the remuneration and in aggregate the total remuneration paid to these key management personnel.

The Board is of the view that (a) the current disclosure is a good indication of the Executive Director and CEO's remuneration package and provides sufficient insights as to the Company's remuneration policies; and (b) full disclosure of the specific remuneration of each individual Director and the key management personnel is not in the best interests of the Company or its stakeholders.

In arriving at this decision, the Board had taken into consideration, *inter alia*:

(a) the commercial sensitivity and confidential nature of remuneration matters;

(b) the rationale for the existing disclosure of remuneration of the top five key management personnel (who are not Directors) of the Group in bands of S$250,000 – the Company does not disclose the aggregate remuneration paid to each of such individuals in view of the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group; in addition, such disclosure of specific remuneration information may encourage inappropriate peer comparisons and discontent and may, in certain cases, give rise to recruitment and talent retention issues – this rationale would equally apply to the disclosure of the aggregate remuneration paid to our Executive Director and CEO;

(c) the existing disclosure relating to how the Executive Director and CEO's remuneration package is aligned with the interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration; and

(d) the relative size of the Group, the competitive business environment in which the Group operates in, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level and key management personnel level on a long-term basis.

Additionally, based on a comparison against a peer group of listed companies in the same industry over a multi-year period, where the peer group remains constant from year to year, the Board believes that the remuneration of the Non-Executive Directors and the Executive Director, being the CEO, is in line with industry practice.

A breakdown showing the band and mix of each Director's remuneration for the FY2022 is as follows:

Remuneration band and name of Director	Directors' fee (%)	Salary, CPF and allowance (%)	Variable or performance related bonus (%)	Total (%)
S$1,750,000 to S$1,999,999				
Mr Low Kok Ann	–	13	87	100
Below S$250,000				
Datuk Edward Lee Ming Foo, JP	100	–	–	100
Mr Low See Ching	100	–	–	100
Ms Cheah Yee Leng	100	–	–	100
Mr Yong Teak Jan @ Yong Teck Jan	100	–	–	100
Mr Ong Beng Chye	100	–	–	100
Mr Terrance Tan Kong Hwa	100	–	–	100
Mr Foo Yong How	100	–	–	100

A breakdown showing the band and mix of remuneration of each top 5 key management personnel's (who are not Directors or CEO of the Company) for FY2022 is as follows:

Remuneration band and name of key management personnel	Fixed salary (%)	Variable or performance-related bonus (%)	Total (%)
S$250,000 to S$499,999			
Mr Goh Keng Boon Frank	64	36	100
Mr Tay Eng Kiat Jackson	77	23	100
Below S$250,000			
Mr Tay Chye Heng Stephen	82	18	100
Mr Koh Yew Seng Mike	70	30	100
Ms Lee Yee Fei	74	26	100

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO of the Company) for FY2022 was S$1,209,000.

The Company is of the view that its practices of disclosing the remuneration of directors and key management personnel in bands of S$250,000 are consistent with the intent of provision 8 of the Code, taking into account the strategic objectives of the Company pursuant to Principle 8 of the Code.

Provision 8.2 of the Code: Remuneration disclosure of related employees

During FY2022, the Group did not have any employees with remuneration exceeding S$100,000, who (i) is a substantial shareholder of the Company; or (ii) is an immediate family member of a Director or the CEO, or a substantial shareholder of the Company.

Provision 8.3 of the Code: Details of employee share schemes

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

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

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

Members of the Plan Committee:

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

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

During FY2022, no Awards were granted, vested and cancelled under the Hafary PSP.

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

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

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

a) Establishing the context;

b) Risk identification;

c) Risk prioritisation;

d) Risk mitigation;

e) Risk reporting; and

f) Risk updates.

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

The Group's Internal Auditor, BDO LLP, carry out internal audit on the system of internal controls and report the findings to the AC. The Group's External Auditor, RSM Chio Lim LLP, have also carried out, in the course of their statutory audit, an understanding of the key internal accounting controls assessed to be relevant to the statutory audit.

In this respect, the AC has reviewed the findings of both the Internal and External Auditor and will ensure that the Company follows up on the Auditors' recommendations raised during the audit process.

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

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

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

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

a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

b) the Company's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, regular audits, monitoring and reviews performed by the Internal and External Auditor, review of the risk assessment reports, assurance from the Executive Director and CEO, the Group's COO and Group's FC and reviews performed by the management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls (including financial, operational, compliance risks and information technology controls) and risk management systems in place are independent, adequate and effectively resourced in addressing the financial, operational, compliance risks and information technology risks as at 31 December 2022 which the Group considers relevant and material to its current business scope and environment.

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

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

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

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

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

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

a) Review the financial statements and the independent auditor's report on those financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

b) Review assurance from the Executive Director and CEO and the Group's FC on the financial records and financial statement and assurance from Executive Director and CEO and other key management personnel who are responsible on the adequacy and effective of the risk management and internal control systems;

c) Review the adequacy and effective of the Company's risk management and internal control in relation to financial reporting other financial-related risk and controls and report to the Board;

d) Review with the Internal Auditor the internal audit plan and their evaluation of the adequacy and effectiveness of the internal controls and accounting system before submission of the results of such review to the Board;

e) Review with the External Auditor the audit plan, their evaluation of the Company's internal accounting controls that are relevant to their statutory audit and their audit report; Report to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;

f) Ensure co-ordination between the External Auditor and Internal Auditor and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

g) Review and discuss with External and Internal Auditor (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and management's response;

h) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the External Auditor;

i) Review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

j) Review and ensure proper disclosure and reporting in the annual report on related party transactions as required by the accounting standards;

k) Oversee the establishment and operation of the whistle-blowing processing in the Company;

l) Review any potential conflicts of interest;

m) Undertake such other functions and duties as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of our AC; and

n) Generally undertake such other functions and duties as may be required by the Board under the Code of Corporate Governance 2018, statute or SGX Listing Rules (Mainboard) and Companies Act 1967 of Singapore.

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

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

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

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

The AC has reviewed all non-audit services provided by the External Auditor. The aggregate amount of fees paid/payable to the External Auditor for FY2022 audit and non-audit services are S$246,000 and S$74,000 respectively.

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

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

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

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

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

The Group outsources its internal audit function to BDO LLP, an international auditing firm, to review key business processes of the Company and its key subsidiaries. The primary reporting line of the Internal Auditor function is to AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company. The Internal Auditor has also performed the internal review on the Sustainability Report for FY2022.

The AC approves the hiring, removal, evaluation and compensation of the Internal Auditor.

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

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

The AC meets with the Group's Internal Auditor and External Auditor without the presence of the management at least once a year. Such meeting enables the Internal Auditor and External Auditor to raise any issue encountered in the course of their work directly to the AC. For FY2022, the AC met once with the Internal Auditor and External Auditor, each without presence of the management.

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2022, the AC has discussed with the management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements. The following significant matters impacting the financial statements were discussed with the management and the External Auditor and were reviewed by the AC. The External Auditor has included these 2 significant matters as their key audit matters in the independent auditor's report for the FY2022. Please refer to Independent Auditor's Report in Financial Statements FY2022.

Key audit matters	How the matters were addressed by the AC
Assessment of expected credit loss allowance on trade receivables	Net trade receivables amounted to S$46.6 million as at 31 December 2022. The AC considered management's approach, methodology and judgement pertaining to revenue recognition and the estimate of trade receivables impairment allowance. The AC also considered the observations and findings presented by the External Auditor with reference to the payment track records of trade debtors and adequacy of allowance for impairment of trade receivables. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of trade receivables is adequately made as at 31 December 2022 and the relating disclosures in the financial statements are appropriate.
Assessment of impairment allowance on inventories	Net inventories amounted to S$57.0 million as at 31 December 2022. The AC considered management's approach, methodology and judgement applied to the estimate of impairment allowance for slow-moving and obsolete inventories. The AC also considered the observation and findings presented by the External Auditor with reference to the adequacy of allowance for impairment of inventories. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of inventories is adequately made as at 31 December 2022.

WHISTLE-BLOWING POLICY

The Company has in place a whistle-blowing policy where staff of the Company and any other persons can have access to the AC Chairman and members. The Company is committed to a high standard of corporate governance. In line with this commitment, the Whistleblowing Policy aims to (a) provide a trusted avenue for employees, vendors, customers and other stakeholders to report serious wrongdoings or concerns, particularly in relation to fraud, governance or ethics, without fear of reprisals when whistleblowing in good faith; and (b) ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

The policy which is accessible by the employees, aims to foster a workplace conducive to open communication regarding the Company's business practices and to protect the employees from unlawful retaliation and discrimination for the proper disclosing or reporting of illegal or unethical conduct in good faith.

All concerns about possible improprieties in financial reporting and other matters would be channelled to the AC Chairman and members. The Company will treat all information received confidentially and protect the identity and the interests of all whistle-blowers against detrimental or unfair treatment.

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

The AC shall commission and review the findings of internal investigations in matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Anonymous complaints may be looked into, taking into account factors such as seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources. All cases reported will be investigated objectively and thoroughly and appropriate action will be taken where warranted. The AC will inform the Board members after considering the circumstances with an update at Board meetings. The AC did not receive any complaint or whistleblowing report during the financial year and up to the date of the most recent AC meeting.

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Shareholders will also be briefed during the general meetings on voting procedures of the general meetings. Due to COVID-19 restriction orders in Singapore, Annual General Meeting for financial year ended 31 December 2021 ("2022 AGM") was held by way of electronic means via live webcast pursuant to the COVID-19 (Temporary Measures Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. To enable the members to participate at the 2022 AGM and exercise their votes effectively, instructions on how to register, participate, pose their questions, submission of proxy form, vote and etc relating to the 2022 AGM were published on the SGXNet and Company's website.

At the 2022 AGM, the Chairman was appointed as the proxy to vote according to the members' instructions. The Chairman briefed the procedure to be followed by the shareholders even though the 2022 AGM was conducted by electronic means via live webcast and all resolutions were deemed proposed and seconded.

The forthcoming AGM will be held physically and shareholders are able to submit questions in advance of the AGM and will be given opportunities voice their views and direct their questions to the Board regarding the Company at the AGM.

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

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

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

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

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

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

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

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

In regard to the 2022 AGM, the minutes were published on the SGXNet and the Company's website within the prescribed timeline set by the SGX-ST and all questions received from the shareholders and answer were also published on the SGXNet and the Company's website ahead of the 2022 AGM.

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

All resolutions tabled at the 2022 AGM were conducted by poll pursuant to Listing Manual of the SGX-ST and counted by the Polling Agent as well as verified by the Scrutineer ahead of 2022 AGM. The poll results were announced by the Company via SGXNet on the same day for the benefit of all shareholders.

Provision 11.6 of the Code: Dividend policy

The Company does not have a formal dividend policy. The Company targets to provide sustainable dividend payout depending on the earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose the reason(s) accordingly.

Any dividend payments are clearly communicated to shareholders via announcements on SGXNet. During FY2022, the Company had declared and paid two interim dividends (tax exempt one-tier) totalling 1.50 Singapore cent per ordinary share and one special interim dividend (tax exempt one-tier) totalling 0.75 Singapore cent per ordinary share.

ENGAGEMENT WITH SHAREHOLDERS

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

Provision 12.1 of the Code: Company provides avenues for communication between the Board and shareholders and disclose in its annual report to steps taken to solicit and understand the views of shareholders
Provision 13.3 of the Code: Corporate website to engage stakeholders

The Board is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the Listing Manual of SGX-ST and the Singapore Companies Act 1967. Information is communicated to shareholders on a timely basis through:

a) Announcements and press releases via SGXNet;

b) Company's website (www.hafary.com.sg); and

c) Annual reports

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

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

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

The Company provided opportunities for communication with the shareholders, investors and other stakeholders during FY2022 as follows:

a) Annual General Meeting; and

b) Update on corporate developments via SGXNet.

CORPORATE GOVERNANCE STATEMENT

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

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

The Company provides contact details on its website at www.hafary.com.sg as the Company recognises the importance of stakeholder engagement to the long-term sustainability of its business. During FY2022, the Company received a number of telephone enquiries from shareholders and investors were attended promptly by the Company.

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

DEALINGS IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of the SGX-ST on Dealing in Securities, the Company has adopted its own Internal Code of Conduct and issues circulars to its Directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in the shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half-yearly financial results and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule 1207(19) of the Listing Manual of the SGX-ST during FY2022.

INTERESTED PERSON TRANSACTIONS

The Group first adopted an interested person transactions general mandate on 11 April 2016. This interested person transactions general mandate was replaced with the adoption of a new interested person transactions general mandate ("IPT General Mandate") on 26 October 2022. Renewal of this IPT General Mandate is sought at the FY2022 AGM.

The Group has adopted this IPT General Mandate to deal with transactions with interested persons, and requiring all such transactions to be at arm's length and to be reviewed by the AC. Besides the information disclosed in Table 1 below, there were no other interested person transactions conducted during the year, which exceeds S$100,000 in value.

Table 1:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000)			
		Conducted under shareholders' mandate pursuant to Rule 920		Not conducted under shareholders' mandate pursuant to Rule 920	
		FY2022	FY2021	FY2022	FY2021
		S$'000	S$'000	S$'000	S$'000
Purchases from Malaysian Mosaic Sdn. Bhd. ("**MMSB**")	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad.	7,296	186	–	–
Purchases from MML Marketing Pte. Ltd. ("**MML**")	MML is a wholly-owned subsidiary of MMSB.	1,949	5,333	–	–
Sales to MMSB	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad.	–	397	–	–
Sales to Tapmugliston Pte Ltd ("**TPL**")	TPL is an associate of director, Low See Ching.	–	–	197	–
Staff secondment fees from MML	MML is a wholly-owned subsidiary of MMSB.	–	–	–	103

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, except as disclosed in this Annual Report, there were no material contracts or loans entered into between the Company and any of its subsidiaries involving interests of any Director or controlling shareholder during FY2022.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2022.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

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

2. Directors

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

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

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company or other related body corporate as recorded in the register of directors' interests in shares in or debentures kept by the company under section 164 of the Companies Act 1967 (the "Act") except as follows:

	Direct interests		Deemed interests	
Name of directors	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
The company		**Number of shares of no par value**		
Low Kok Ann	36,847,403	36,847,403	–	–
Low See Ching	49,667,300	109,547,280	20,000,000	–

By virtue of section 7 of the Act, Low See Ching is deemed to have an interest in all related body corporates of the company.

The directors' interests as at 21 January 2023 were the same as those at the end of the reporting year.

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

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

5. Hafary Performance Share Plan

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

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

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

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

Foo Yong How	(Chairman of Remuneration Committee and Independent Director)
Ong Beng Chye	(Independent Director)
Terrance Tan Kong Hwa	(Independent Director)
Low Kok Ann	(Executive Director and Chief Executive Officer)

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

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

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

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

There were no unissued shares of the company or its related body corporate under shares awards granted by the company or its related body corporate as at 31 December 2022.

6. Options

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

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

7. Independent auditor

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

8. Report of Audit Committee

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

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

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

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

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

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

9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls (including financial, operational, compliance and information technology controls), and risk management systems were adequate and effective as at 31 December 2022 to address the risks that the company considers relevant and material to its operations.

10. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 17 February 2023, which would materially affect the group's and company's operating and financial performance as of the date of this report.

On behalf of the directors

Low Kok Ann
Director

Low See Ching
Director

27 March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HAFARY HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hafary Holdings Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

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

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

Key Audit Matter

The group's trade receivables totaled $46,558,000, representing 12% of the group's total assets as at the end of the reporting year. Any impairment of significant receivables could have material impact to the group's profit or loss.

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

Key audit matters (cont'd)

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

How we addressed the matter in our audit

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

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

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

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

(2) Assessment of impairment allowance on inventories

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

Key Audit Matter

The group held inventories of $56,998,000, representing 14% of the group's total assets as at end of the reporting year. The carrying amount of inventories may not be recoverable in full if those inventories become slow moving, or if their selling prices have declined below carrying amounts.

The estimate of allowance for slow moving inventories takes into consideration of various factors, including macroeconomics, general market conditions, future market demand, historical industry experience and aging of the inventories. This estimate involves a significant degree of judgement. Management applies particular judgement in the areas relating to inventory allowance based on inventory aging. This methodology relies upon assumptions made in determining appropriate allowance of inventories. Management is of the opinion that the methodology is reasonable in determining the impairment allowance required.

How we addressed the matter in our audit

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

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tay Hui Jun, Sabrina.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2023

Engagement partner - effective from year ended 31 December 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $'000	2021 $'000
Revenue	5	**168,885**	126,004
Interest income	6	**109**	161
Other income and gains	7	**6,950**	6,127
Changes in inventories of goods held for resale		**10,923**	2,485
Purchases and related costs		**(100,970)**	(69,944)
Employee benefits expense	8	**(24,623)**	(21,318)
Amortisation and depreciation expense	15, 16, 17	**(9,454)**	(7,475)
Impairment losses	9	**(589)**	(8,498)
Other losses	7	**–**	(194)
Finance costs	10	**(4,616)**	(3,204)
Other expenses	11	**(13,073)**	(10,573)
Share of profit from an equity-accounted associate	19	**3,679**	1,206
Share of profit from equity-accounted joint ventures	20	**362**	356
Profit before income tax		**37,583**	15,133
Income tax expense	12	**(6,945)**	(2,821)
Profit, net of tax		**30,638**	12,312
Other comprehensive (loss) income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax	27	**(1,642)**	1,134
Total comprehensive income for the year, net of tax		**28,996**	13,446
Profit attributable to:			
- Owners of the parent, net of tax		**29,372**	11,580
- Non-controlling interests, net of tax		**1,266**	732
		30,638	12,312
Total comprehensive income attributable to:			
- Owners of the parent		**27,730**	12,714
- Non-controlling interests		**1,266**	732
		28,996	13,446
		Cents	Cents
Earnings per share			
Basic and diluted	13	**6.82**	2.69

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

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	15	**104,086**	94,612	**473**	173
Right-of-use assets	16	**132,140**	71,751	**–**	–
Investment properties	17	**17,390**	4,172	**–**	–
Investments in subsidiaries	18	**–**	–	**9,239**	9,239
Investment in an associate	19	**19,423**	17,507	**–**	–
Investments in joint ventures	20	**2,832**	2,805	**–**	–
Other financial assets	21	**335**	340	**335**	340
Total non-current assets		**276,206**	191,187	**10,047**	9,752
Current assets					
Inventories	22	**56,998**	46,249	**–**	–
Trade and other receivables	23	**53,296**	35,733	**35,637**	31,065
Derivative financial assets	33	**81**	–	**–**	–
Other non-financial assets	24	**5,443**	6,784	**3**	85
Cash and cash equivalents	25	**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	26	**26,930**	26,930	**26,930**	26,930
Retained earnings		**67,350**	48,612	**7,286**	3,531
Foreign currency translation reserve	27	**(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	12	**886**	953	**–**	–
Loans and borrowings, non-current	28	**173,016**	112,924	**–**	–
Lease liabilities, non-current	29	**13,383**	12,491	**–**	51
Total non-current liabilities		**187,285**	126,368	**–**	51
Current liabilities					
Income tax payable		**7,172**	2,688	**–**	–
Provision	30	**1,119**	924	**–**	–
Trade and other payables	31	**26,654**	17,668	**11,501**	10,360
Derivative financial liabilities	33	**–**	64	**–**	–
Loans and borrowings, current	28	**76,130**	55,142	**–**	–
Lease liabilities, current	29	**1,015**	926	**–**	50
Other non-financial liabilities	32	**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.

STATEMENTS OF CHANGES IN EQUITY

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 for the year	**28,996**	**27,730**	**–**	**29,372**	**(1,642)**	**1,266**
Dividends paid (Note 14)	**(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 (Note 18)	**(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 14)	(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 (Note 18)	(1,850)	(2,090)	–	(2,090)	–	240
Closing balance at 31 December 2021	77,406	75,475	26,930	48,612	(67)	1,931

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 14)	**(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 14)	(6,458)	–	(6,458)
Closing balance at 31 December 2021	30,461	26,930	3,531

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	2022 $'000	2021 $'000
Cash flows from operating activities		
Profit before income tax	**37,583**	15,133
Adjustments for:		
Interest expense on borrowings	**4,195**	2,818
Interest expense on lease liabilities	**421**	386
Interest income	**(109)**	(161)
Covid-19 related rent concessions from lessor	**–**	(14)
Depreciation of property, plant and equipment	**6,638**	5,187
Depreciation of right-of-use assets	**2,517**	2,269
Depreciation of investment properties	**299**	19
Gain on disposal of plant and equipment	**(163)**	–
Gain on disposal of quoted securities	**(91)**	–
Fair value (gains) losses on other financial assets, net	**(124)**	72
Share of profit from an equity-accounted associate	**(3,679)**	(1,206)
Share of profit from equity-accounted joint ventures	**(362)**	(356)
Net effect of exchange rate changes in consolidating subsidiaries	**52**	48
Operating cash flows before changes in working capital	**47,177**	24,195
Inventories	**(10,749)**	4,689
Trade and other receivables	**(19,623)**	(3,561)
Other non-financial assets	**1,083**	(1,412)
Provision	**195**	199
Trade and other payables	**9,026**	2,973
Derivative financial assets / liabilities	**(145)**	73
Other non-financial liabilities	**3,304**	(522)
Net cash flows from operations	**30,268**	26,634
Income taxes paid	**(2,528)**	(1,129)
Net cash flows from operating activities	**27,740**	25,505

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	2022 $'000	2021 $'000
Cash flows used in investing activities		
Purchase of property, plant and equipment (Notes 15 and 25B)	**(19,320)**	(26,477)
Purchase of investment property (Note 17)	**(9,550)**	–
Upfront payment for right-of-use assets (Notes 16 and 25B)	**(61,095)**	(31,771)
Proceeds from disposal of plant and equipment	**299**	11
Deposits paid for property acquisition	**–**	(878)
Net movements in amount due from an associate	**1,381**	(1,406)
Net movements in amount due from joint ventures	**625**	31
Proceeds from disposal of quoted securities	**220**	–
Dividend income from an associate	**1,059**	–
Dividend income from joint ventures	**137**	350
Interest income received	**79**	67
Net cash flows used in investing activities	**(86,165)**	(60,073)
Cash flows from financing activities		
Cash restricted in use	**(515)**	–
Dividends paid to equity owners	**(6,458)**	(6,458)
Dividends paid to non-controlling interests	**(942)**	(1,200)
Net movements in amounts due to other related parties	**288**	–
Net movements in amounts due to a director cum a shareholder	**(519)**	(1,052)
Net movements in amounts due to a shareholder	**(1,108)**	(1,110)
Lease liabilities – principal portion paid	**(1,596)**	(1,385)
Increase in trust receipts and bills payable	**7,277**	9,661
Increase in new loans and borrowings	**83,876**	52,614
Loans and borrowings paid	**(10,073)**	(11,062)
Interest expense paid	**(3,846)**	(2,760)
Acquisition of a non-controlling interest without a change in control	**(3,020)**	(1,850)
Net cash flows from financing activities	**63,364**	35,398
Net increase in cash and cash equivalents	**4,939**	830
Net effect of exchange rate changes on cash and cash equivalents	**(20)**	29
Cash and cash equivalents, beginning balance	**6,070**	5,211
Cash and cash equivalents, ending balance (Note 25A)	**10,989**	6,070

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

1. General

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

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

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

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

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

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They comply with the provisions of the Companies Act 1967 and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation and principles of consolidated

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

1. General (cont'd)

Basis of preparation of the financial statements (cont'd)

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue and income recognition

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

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

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

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

Interest income is recognised using the effective interest method.

Government grants

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

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

2A. Significant accounting policies (cont'd)

Employee benefits

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

Borrowing costs

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

Income tax

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

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

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

2A. Significant accounting policies (cont'd)

Foreign currency transactions

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

Translation of financial statements of other entities

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

Subsidiaries

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

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

Non-controlling interests

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

Business combinations

There were no business combinations during the reporting year.

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

2A. Significant accounting policies (cont'd)

Associate

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

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

The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

Joint arrangements – joint ventures

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with financial reporting standard on investments in associates and joint ventures (as described above for associates).

Property, plant and equipment

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

Leasehold properties	–	Over the terms of leases from 2% to 12%
Plant and equipment	–	10% to 33%
Motor vehicles	–	20%

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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

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

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

Right-of-use assets and land use rights

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

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

The annual rates of depreciation are as follows:

Leasehold land	–	Over the terms of leases from 0.1% to 11.9%
Premises	–	Over the terms of leases from 30.0% to 50.0%

Investment property

Investment property is properties (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once in three years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The annual rates of depreciation are as follows:

Freehold land	–	Unlimited useful life and therefore is not depreciated
Freehold property	–	5%
Leasehold properties	–	5%

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

2A. Significant accounting policies (cont'd)

Leases of lessee

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

Leases of lessor

For a lessor a lease is classified as either an operating lease or a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Operating leases are for rental income. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the specific identification method. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Carrying amount of non-financial assets

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

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

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

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

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

Classification and measurement of financial assets:

Financial assets are classified into (1) Financial asset classified as measured at amortised cost; (2) Financial asset that is an equity investment measured at fair value through other comprehensive income ("FVTOCI"); (3) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"); and (4) Financial asset classified as measured at fair value through profit or loss ("FVTPL"). At the end of the reporting year, the reporting entity had the following financial assets:

- Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL, that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

- Financial asset classified as measured at FVTPL: All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

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

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

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Other financial assets and financial liabilities at FVTPL are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

Derivative financial instruments

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

Fair value measurement

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

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

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

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

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

2B. Other explanatory information

Provisions

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

Segment reporting

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Assessment of expected credit loss allowance on trade receivables:
The 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.

Assessing the terms of lease term or lease with extension or renewal options:
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.

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

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

Measurement of impairment of investment in and other receivable from 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 relevant investment and other receivable at the end of the reporting year affected by the assumption is $1,003,000.

3. Related party relationships and transactions

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

The ultimate controlling party is Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the controlling shareholder of the group.

3A. Members of a group

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

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

3B. Related party transactions

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

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

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

3B. Related party transactions (cont'd)

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

	Group	
	2022	**2021**
	$'000	**$'000**
Associate:		
Interest income (Note 6)	**(14)**	(71)
Joint ventures:		
Sale of goods	**(1,150)**	(619)
Rental income	**(421)**	(420)
Interest income (Note 6)	**(82)**	(80)
Purchases of goods	**9,360**	7,809
Receiving of services	**2,206**	1,069
Director:		
Sale of goods	**(1)**	(21)
Other related parties:		
Sale of goods	**(518)**	(475)
Rental income	**(202)**	(185)
Miscellaneous income (Note 7)	**(56)**	(103)
Purchases of goods	**9,245**	5,519
Rental expenses	**62**	7
Property management fee	**45**	4

3C. Key management compensation

	Group	
	2022	**2021**
	$'000	**$'000**
Salaries and other short-term employee benefits	**3,461**	2,387

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

3C. Key management compensation (cont'd)

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

	Group	
	2022	**2021**
	$'000	**$'000**
Remuneration of director of the company	**1,894**	835
Fees to directors of the company	**231**	231
Fee to a director of a subsidiary of the company	**100**	100

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

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Key management compensation comprised those of directors and other key management personnel totalling 14 (2021: 14) persons. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related companies in their capacity as directors and or executives of those companies.

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

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

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

	Group	
	2022	**2021**
	$'000	**$'000**
Joint ventures:		
Balance at beginning of the year	**3,834**	3,515
Interest income (Note 6)	**82**	80
Amounts paid out and settlement of liabilities on behalf of the joint ventures	**4,542**	1,900
Amounts paid in and settlement of liabilities on behalf of the group	**(5,113)**	(1,739)
Foreign exchange adjustments	**(3)**	78
Balance at end of the year	**3,342**	3,834
Presented in the statement of financial position as follows:		
Other receivables (Note 23)	**4,140**	3,834
Other payables (Note 31)	**(798)**	–
	3,342	3,834

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

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

	Group	
	2022	**2021**
	$'000	**$'000**
Other receivable from associate:		
Balance at beginning of the year	**1,366**	–
Loan to associate	**–**	4,022
Interest income (Note 6)	**14**	71
Repayment of loan principal and interest	**(1,381)**	(2,778)
Foreign exchange adjustments	**1**	51
Balance at end of the year (Note 23)	**–**	1,366
Other related parties:		
Balance at beginning of the year	**4**	15
Amounts paid out and settlement of liabilities on behalf of the other related parties	**114**	129
Amounts paid in and settlement of liabilities on behalf of the group	**(402)**	(140)
Balance at end of the year	**(284)**	4
Presented in the statement of financial position as follows:		
Other receivable (Note 23)	**–**	4
Other payable (Note 31)	**(284)**	–
	(284)	4
Other payable to a director cum a shareholder:		
Balance at beginning of the year	**(1,408)**	(2,461)
Amounts paid out and settlement of liabilities on behalf of the director	**575**	1,110
Amounts paid in and settlement of liabilities on behalf of the group	**(56)**	(57)
Balance at end of the year (Note 31)	**(889)**	(1,408)
Other payable to a shareholder:		
Balance at beginning of the year	**(1,108)**	(2,219)
Amounts paid out and settlement of liabilities on behalf of the shareholder	**1,108**	1,111
Balance at end of the year (Note 31)	**–**	(1,108)

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

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

	Company	
	2022	2021
	$'000	$'000
Subsidiaries:		
Balance at beginning of the year	**20,063**	20,009
Amounts paid in and settlement of liabilities on behalf of the company	**(6,497)**	(6,404)
Dividend income	**9,687**	6,458
Balance at end of the year	**23,253**	20,063
Presented in the statement of financial position as follows:		
Other receivables (Note 23)	**32,653**	29,463
Other payables (Note 31)	**(9,400)**	(9,400)
	23,253	20,063

4. Financial information by operating segments

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

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

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

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

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.

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

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

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 from investee companies ("Recurring EBITDA"); and (2) operating results before income taxes and other unallocated items ("ORBIT").

4B. Profit or loss from continuing operations and reconciliations

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

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2022:					
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**
2021:					
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

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

4C. Assets, liabilities and reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
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**
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

4D. Other material items and reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
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

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

4E. Geographical information

	Revenue		Non-current assets	
	2022	**2021**	**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.

4F. Information about major customers

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

5. Revenue

A. Revenue classified by type of good or service

	Group	
	2022	**2021**
	$'000	**$'000**
Sale of goods	**159,667**	118,732
Revenue from installation services	**9,218**	7,272
Total revenue	**168,885**	126,004

5. Revenue (cont'd)

B. Revenue classified by duration of contract

	Group	
	2022	2021
	$'000	$'000
Short-term contracts	**159,667**	118,732
Long-term contracts	**9,218**	7,272
Total revenue	**168,885**	126,004

C. Revenue classified by timing of revenue recognition

	Group	
	2022	2021
	$'000	$'000
Point in time	**159,667**	118,732
Over time	**9,218**	7,272
Total revenue	**168,885**	126,004

6. Interest income

	Group	
	2022	2021
	$'000	$'000
Interest income from an associate (Note 3)	**14**	71
Interest income from joint venture (Note 3)	**82**	80
Other interest income	**13**	10
Total interest income	**109**	161

7. Other income and gains and (other losses)

	Group	
	2022	**2021**
	$'000	**$'000**
Rental income	**5,215**	3,888
Sales of solar energy	**393**	130
Fair value gains (losses) on derivative financial instruments, net (Note 33)	**145**	(73)
Fair value gains (losses) on other financial assets, net (Note 21)	**124**	(72)
Foreign exchange adjustment gains, net	**219**	245
Gain on disposal of plant and equipment	**163**	–
Gain on disposal of quoted securities	**91**	–
Jobs Support Scheme grants [(a)]	**7**	1,359
Foreign Worker Levy rebates	**149**	191
Other government grants income	**255**	156
Insurance compensation	**33**	11
Miscellaneous income from other related party (Note 3)	**56**	103
Other income	**100**	44
Subtotal	**6,950**	5,982
Rental waiver to tenants	**–**	(63)
Rent concessions received from lessor (Note 29)	**–**	14
Subtotal	**–**	(49)
Net	**6,950**	5,933
Presented in profit or loss as:		
Other income and gains	**6,950**	6,127
Other losses	**–**	(194)
	6,950	5,933

(a) The purpose of the Jobs Support Scheme was to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid Covid-19 for the qualifying period.

8. Employee benefits expense

	Group	
	2022	**2021**
	$'000	**$'000**
Salaries, bonuses and other short-term benefits	**21,817**	18,677
Contributions to defined contribution plan	**2,806**	2,641
Total employee benefits expense	**24,623**	21,318

9. Impairment losses

	Group	
	2022	2021
	$'000	$'000
Allowance for impairment of inventories (Note 22)	**173**	7,614
Allowance (reversal) for impairment of trade receivables:		
- Individually impaired (Note 23)	**184**	579
- Collectively impaired (Note 23)	**106**	(46)
Allowance for impairment of other receivables (Note 23)	**133**	350
Bad debts recovered – trade receivables	**(7)**	(26)
Bad debts written-off – trade receivables	**–**	27
Total impairment losses	**589**	8,498

10. Finance costs

	Group	
	2022	2021
	$'000	$'000
Interest expense on:		
- Bank loans	**3,353**	2,341
- Bill payables	**842**	477
- Lease liabilities	**421**	386
Total finance costs	**4,616**	3,204

11. Other expenses

The major components and other selected components include the following:

	Group	
	2022	2021
	$'000	$'000
Hire of vehicles and machineries	**1,567**	977
Property tax	**1,540**	1,229
Commission	**1,317**	1,313
Upkeep of motor vehicles	**1,230**	859
Utilities expense	**1,022**	603
Expense relating to short-term leases (Note 29)	**609**	977

11. Other expenses (cont'd)

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

	Group	
	2022	**2021**
	$'000	**$'000**
Audit fees paid to:		
- Independent auditors of the company	**246**	208
- Other independent auditors	**55**	19
Non-audit fees paid to:		
- Independent auditors of the company	**74**	37
- Other independent auditors	**11**	13

12. Income tax

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

	Group	
	2022	**2021**
	$'000	**$'000**
Current tax expense:		
Current tax expense	**7,041**	2,576
Over adjustments in respect of prior years	**(29)**	(44)
Subtotal	**7,012**	2,532
Deferred tax (income) expense:		
Deferred tax (income) expense	**(110)**	229
Under adjustments in respect of prior years	**43**	60
Subtotal	**(67)**	289
Total income tax expense	**6,945**	2,821

12. Income tax (cont'd)

12A. Components of tax expense recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying Singapore corporate tax rate. The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2021: 17%) to profit before income tax as a result of the following differences:

	Group	
	2022	**2021**
	$'000	**$'000**
Profit before income tax	**37,583**	15,133
Less:		
- Share of profit from an equity-accounted associate	**(3,679)**	(1,206)
- Share of profit from equity-accounted joint ventures	**(362)**	(356)
	33,542	13,571
Income tax expense at the above rate	**5,702**	2,307
Effect of different tax rates in different countries	**7**	33
Expenses not deductible for tax purposes	**1,344**	818
Income not subject to tax	**–**	(231)
Tax exemption and rebates	**(122)**	(122)
Under adjustments in respect of prior years	**14**	16
Total income tax expense	**6,945**	2,821

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

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

	Group	
	2022	**2021**
	$'000	**$'000**
Excess of net carrying amounts over tax values of property, plant and equipment	**(25)**	322
Provision	**(33)**	(34)
Deferred tax on inventories for unrealised profit	**(9)**	(15)
Tax loss carryforwards	**–**	16
Total deferred tax (income) expense	**(67)**	289

12. Income tax (cont'd)

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

	Group 2022 $'000	Group 2021 $'000
Excess of net carrying amounts over tax values of property, plant and equipment	**1,324**	1,349
Provision	**(190)**	(157)
Deferred tax on inventories for unrealised profit	**(248)**	(239)
Total deferred tax liabilities	**886**	953

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

13. Earnings per share

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

	Group 2022 $'000	Group 2021 $'000
Profit, net of tax attributable to owners of the parent	**29,372**	11,580

	Number of shares 2022 '000	Number of shares 2021 '000
Weighted average number of equity shares:		
Basic	**430,550**	430,550

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

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

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

14. Dividends on equity shares

	Group and Company	
	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
First 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

In respect of the current reporting year, the directors have proposed that a second interim dividend of 0.75 cent per share and a special interim dividend of 0.75 cent per share with a total of $6,458,000 be paid to shareholders. There are no income tax consequences on the company. These dividends were approved by the board of directors on 20 February 2023 and have not been included as a liability in these financial statements. The dividends were paid on 7 March 2023.

15. 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 17)	(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 17)	(50)	–	–	(50)
Foreign exchange adjustments	(156)	(43)	(5)	(204)
At 31 December 2022	**26,367**	**11,255**	**3,361**	**40,983**
Carrying value:				
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**

15. 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 value:			
At 1 January 2021	–	268	268
At 31 December 2021	–	173	173
At 31 December 2022	**–**	**473**	**473**

As at the end of the reporting year, the group's leasehold properties with carrying amount of $86,184,000 (2021: $80,974,000) are mortgaged for bank facilities (Note 28).

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

16. 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 value:			
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 end of the reporting year, the group's land use rights with carrying amount of $114,853,000 (2021: $54,980,000) are mortgaged for bank facilities (Note 28). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

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

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

Group	Land use rights $'000
Cost:	
At 1 January 2021	36,359
Additions	31,771
Foreign exchange adjustments	232
At 31 December 2021	68,362
Additions	61,095
Foreign exchange adjustments	(449)
At 31 December 2022	**129,008**
Accumulated amortisation:	
At 1 January 2021	8,129
Amortisation for the year	1,211
Foreign exchange adjustments	45
At 31 December 2021	9,385
Amortisation for the year	1,355
Foreign exchange adjustments	(102)
At 31 December 2022	**10,638**
Carrying value:	
At 1 January 2021	28,230
At 31 December 2021	58,977
At 31 December 2022	**118,370**

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

	Leasehold land		Premises	
	2022	**2021**	**2022**	**2021**
Number of right-of-use assets	**10**	8	**3**	3
Remaining term – range (years)	**2.0 to 811.6**	3.0 to 812.6	**0.2 to 3.3**	0.4 to 1.3
Remaining term – average (years)	**105.9**	120.8	**2.0**	0.9
Weighted average incremental borrowing rate applied to lease liabilities	**3%**	3%	**3%**	3%

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

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 eight 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.

17. Investment properties

Group	Freehold land $'000	Freehold property $'000	Leasehold properties $'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 15)	–	–	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 15)	–	–	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**

17. Investment properties (cont'd)

	Group	
	2022	**2021**
	$'000	**$'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 leased out under operating lease. Also see Note 35 on operating lease income commitments. The management has not entered into contractual obligations for the maintenance or enhancement of the investment properties.

The investment properties are mortgaged as security for the bank facilities (Note 28).

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

Asset:	Two-storey shophouse
Location:	532 Balestier Road, Singapore 329859
Tenure:	Freehold
Fair value:	$4,650,000 (2021: $4,500,000)
Fair value hierarchy:	Level 3 (2021: Level 3)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter $18,207 (2021: $17,619)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by $465,000; higher by $465,000 (2021: Impact – lower by $450,000; higher by $450,000)

Asset:	Six-storey commercial building
Location:	51 Middle Road Singapore 188959
Tenure:	Leasehold 999 years with effect from 30 January 1835
Fair value:	$3,928,000 (2021: NA)
Fair value hierarchy:	Level 3 (2021: NA)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter $2,431 (2021: NA)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by $393,000; higher by $393,000 (2021: NA)

17. Investment properties (cont'd)

Asset:	A row of 11 adjoining units of refurbished 2-storey prewar shophouses with attic and 4-storey rear extension
Location:	161 Lavender Street Singapore 338750
Tenure:	Leasehold 99 years with effect from 2 December 2016
Fair value:	$9,272,000 (2021: NA)
Fair value hierarchy:	Level 3 (2021: NA)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter $2,207 (2021: NA)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by $927,000; higher by $927,000 (2021: NA)

The fair values of the investment properties located at 532 Balestier Road Singapore 329859 and 51 Middle Road Singapore 188959 were measured by PREMAS Valuers & Property Consultants Pte. Ltd., a firm of independent professional valuers, in January 2023 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment properties being valued.

The fair value of the investment property located at 161 Lavender Street Singapore 338750 was measured by Knight Frank Pte Ltd, a firm of independent professional valuers, in January 2023 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued.

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

18. Investments in subsidiaries

	Company	
	2022	**2021**
	$'000	**$'000**
Unquoted equity shares at cost	**9,239**	9,239
Net book value of subsidiary in the books of the company	**39,500**	25,566

18. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost		Effective equity held	
	2022	2021	2022	2021
	$'000	$'000	%	%
Hafary Pte Ltd Singapore Importer and dealer of building materials	**9,239**	9,239	**100**	100
Held through Hafary Pte Ltd:				
Surface Project Pte. Ltd. Singapore Distribution and wholesale of building materials			**70**	70
Surface Stone Pte. Ltd. Singapore Dealer of stones for home furnishing			**90**	90
Wood Culture Pte. Ltd. Singapore Dealer of wood for home furnishing			**100**	100
Hafary Centre Pte. Ltd. Singapore Investment holding			**100**	100
Hafary Vietnam Pte. Ltd. Singapore Investment holding			**100**	100
Hafary International Pte. Ltd. Singapore Importing and distribution of building materials			**100**	100
Hafary Trademarks Pte. Ltd. Singapore Intellectual property holding and management			**100**	100
Marble Trends Pte. Ltd. Singapore Dormant			**100**	100
World Furnishing Hub Pte. Ltd. [#a] Singapore Investment holding			**81**	51

18. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	Effective equity held	
	2022	2021
	%	%
Held through Hafary Pte Ltd: (cont'd)		
Hafary Balestier Showroom Pte. Ltd. Singapore Investment holding	**51**	51
Gres Universal Pte. Ltd. Singapore Distribution and wholesale of building materials	**56**	56
Hafary Building Materials Pte. Ltd. Singapore Investment holding	**100**	100
Hafary W+S Pte. Ltd. Singapore Storage and warehousing of furniture and related products	**100**	100
Hafary Trading Sdn. Bhd. Malaysia Trading and distribution of building materials	**100**	100
Hafary Crescent Pte. Ltd. Singapore Cutting, shaping and finishing of stone and other holding companies (investment holding)	**100**	100
Hafary Element Pte. Ltd. Singapore (Incorporated on 17 June 2022) Investment holding	**93**	–
International Ceramic Manufacturing Hub Pte. Ltd. Singapore (Incorporated on 17 June 2022) Investment holding	**65**	–
Hafary Flagship Store Pte. Ltd. Singapore (Incorporated on 5 July 2022) Investment holding	**100**	–

18. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	Effective equity held	
	2022	2021
	%	%
Held through Hafary International Pte. Ltd.:		
Foshan Hafary Trading Co., Limited People's Republic of China Importing, exporting and distribution of building materials	**100**	100
Held through International Ceramic Manufacturing Hub Pte. Ltd.:		
International Ceramic Manufacturing Hub Sdn. Bhd. Malaysia (Incorporated on 20 June 2022) Manufacturing, importing and exporting of building materials	**65**	–

All the subsidiaries are audited by RSM Chio Lim LLP, a member firm of RSM International except for: (1) Foshan Hafary Trading Co., Limited is audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP; and (2) Hafary International Pte. Ltd., Hafary Crescent Pte. Ltd., Hafary Trading Sdn. Bhd. and International Ceramic Manufacturing Hub Sdn. Bhd. which the unaudited management financial statements at 31 December 2022 have been used for consolidation as the subsidiaries are not material.

#a On 29 December 2021, the company's subsidiary, Hafary Pte Ltd ("HPL") acquired an additional 5% equity interest in World Furnishing Hub Pte. Ltd. ("WFH") from its non-controlling interest for a cash consideration of $1,850,000. Prior to the acquisition, management considers WFH as a subsidiary as the group has management control over WFH through its indirect interest in WFH, via a director and a substantial shareholder, and the group is exposed, or has rights, to variable returns from its involvement with WFH and has the ability to affect those returns through its power over WFH, even though the group owned 46% interest in WFH. As a result of this acquisition, the group holds 51% interests in WFH.

On 17 January 2022, HPL acquired an additional 30% equity interest in WFH from its non-controlling interest for a cash consideration of $3,020,000. As a result of this acquisition, the group holds 81% interests in WFH as at 31 December 2022.

The carrying value of the non-controlling interest acquired in WFH was -$1,156,000 (2021: -$240,000). The difference between the consideration and the carrying value of the additional interest acquired of $4,176,000 (2021: $2,090,000) has been recognised as an "acquisition of a non-controlling interest without a change in control" and accounted within equity of the group.

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

	Group	
	2022	2021
	$'000	$'000
Surface Project Pte. Ltd.	**3,983**	3,816
World Furnishing Hub Pte. Ltd.	**(551)**	(1,877)
Other subsidiaries with immaterial non-controlling interests	**9**	(8)
Total	**3,441**	1,931

18. Investments in subsidiaries (cont'd)

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

Summarised statement of profit or loss and other comprehensive income:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**28,224**	18,479	**5,103**	4,802
Profit before income tax	**4,288**	1,712	**1,370**	774
Income tax expense	**(730)**	(238)	**(555)**	(463)
Profit, net of tax	**3,558**	1,474	**815**	311
Total comprehensive income	**3,558**	1,474	**815**	311
Total comprehensive income allocated to non-controlling interests	**1,067**	442	**170**	152
Dividends paid to non-controlling interests	**900**	900	**–**	–

Summarised statement of financial position:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Assets	**21,755**	18,940	**235**	292
Liabilities	**(8,603)**	(6,495)	**(8,221)**	(8,966)
Total current net assets (liabilities)	**13,152**	12,445	**(7,986)**	(8,674)
Non-current				
Assets	**196**	359	**47,408**	49,733
Liabilities	**(24)**	(87)	**(42,435)**	(44,887)
Total non-current net assets	**172**	272	**4,973**	4,846
Net assets (liabilities)	**13,324**	12,717	**(3,013)**	(3,828)

18. Investments in subsidiaries (cont'd)

Summarised statement of cash flows:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Net cash flows from operating activities	**2,245**	4,238	**3,968**	7,486
Net cash flows from (used in) investing activities	**72**	76	**(9)**	(139)
Net cash flows used in financing activities	**(3,085)**	(3,085)	**(3,978)**	(7,295)

19. 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	**16,604**	14,688
Carrying amount	**19,423**	17,507
Movements in carrying amount:		
At beginning of the year	**17,507**	15,753
Share of profit for the year	**3,679**	1,206
Dividends	**(1,059)**	–
Foreign exchange adjustments	**(704)**	548
At end of the 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 [#a] Socialist Republic of Vietnam Importer and dealer of building materials	**49**	49

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

19. Investment in an associate (cont'd)

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

	Group	
	2022	**2021**
	$'000	**$'000**
Dividends received from the associate	**1,059**	–
Revenue	**59,250**	39,776
Profit for the year	**7,508**	2,461
Non-current assets	**3,404**	3,644
Current assets	**46,550**	42,504
Current liabilities	**(10,124)**	(12,034)
Reconciliation:		
Net assets of the associate	**39,830**	34,114
Proportion of the group's interest in the associate	**19,517**	16,716
Goodwill on acquisition	**758**	758
Intangible assets on acquisition	**90**	90
Foreign exchange adjustments	**(942)**	(57)
	19,423	17,507

20. 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	**(363)**	(390)
Carrying amount	**2,832**	2,805
Movements in carrying amount:		
At beginning of the year	**2,805**	2,655
Share of profits for the 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

20. 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. [#a] Singapore Cutting, shaping and finishing of stone	**50**	50
Guangdong ITA Element Building Materials Co., Limited [#b] People's Republic of China Production and distribution of tiles	**50**	50
Hafary Myanmar Investment Pte. Ltd. [#a] Singapore Investment holding	**33**	33

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

#b Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP.

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

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

	Group	
	2022	**2021**
	$'000	**$'000**
Guangdong ITA Element Building Materials Co., Limited		
Revenue	**11,186**	16,262
(Loss) profit for the year	**(251)**	539
Non-current assets	**2,278**	2,881
Current assets	**7,987**	9,236
Non-current liabilities	**(2,910)**	(3,083)
Current liabilities	**(3,801)**	(4,804)
Reconciliation:		
Net assets of the joint venture	**3,554**	4,230
Proportion of the group's interest in the joint venture	**1,777**	2,115
Foreign exchange adjustments	**(136)**	121
	1,641	2,236

21. Other financial assets, non-current

	Group and Company	
	2022	**2021**
	$'000	**$'000**
Quoted equity investment at fair value through profit or loss	**335**	340
Movements during the year:		
Fair value at beginning of the year	**340**	412
Increase (decrease) in fair value through profit or loss under other losses (Note 7)	**124**	(72)
Disposals	**(129)**	–
Fair value at end of the year (Level 1)	**335**	340

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

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

There is no investment pledged as security for liabilities.

22. 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 (Note 9)	**173**	7,614
At end of the year	**18,571**	18,398

There are no inventories pledged as security for liabilities.

23. 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)	**–**	–
Subsidiaries (Note 3)	**–**	–	**2,754**	1,602
Joint ventures (Note 3)	**873**	846	**–**	–
Other related parties (Note 3)	**356**	35	**–**	–
Director (Note 3)	**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**	–
Subsidiaries (Note 3)	**–**	–	**32,653**	29,463
Joint ventures (Note 3) [#a]	**4,140**	3,834	**–**	–
Less: Allowance for impairment	**(483)**	(350)	**–**	–
Associate (Note 3) [#b]	**–**	1,366	**–**	–
Other related party (Note 3)	**–**	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 (Note 9)	**184**	579	**–**	–
Additions (reversal) – collectively impaired (Note 9)	**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 (Note 9)	**133**	350	**–**	–
At end of the year	**483**	350	**–**	–

#a Included in other receivables is a loan to a joint venture amounting to $1,834,000 (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.

23. Trade and other receivables (cont'd)

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

As the group and company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statement of financial position except for financial guarantee contracts provided to banks (Note 36E).

(i) Concentration of credit risk

There is no significant concentration of credit risk with respect to trade receivables as the exposure is spread over a large number of counterparties and customers.

(ii) Credit risk exposure

The group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk for trade receivables by countries at the end of the reporting period, approximately:

- 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.

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

	Group	
	2022	**2021**
	$'000	**$'000**
Trade receivables:		
1 to 30 days	**5,027**	3,525
31 to 60 days	**2,921**	1,834
61 to 90 days	**1,308**	1,082
Over 90 days	**6,479**	4,801
Total	**15,735**	11,242

23. Trade and other receivables (cont'd)

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

	Group 2022 $'000	Group 2021 $'000
Trade receivables:		
Over 90 days	**1,791**	1,976

The allowance on trade receivables above is based on individual accounts totalling $1,791,000 (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 including the impact of the current economic conditions. The allowance model 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 ageing of the trade receivables is as follows:

Group:	Gross amount $'000	Expected loss rate %	Loss allowance $'000
2022:			
Current	**30,284**	**0.5**	**139**
1 to 30 days past due	**5,027**	**0.9**	**47**
31 to 60 days past due	**2,921**	**0.8**	**22**
61 to 90 days past due	**1,308**	**1.8**	**23**
Over 90 days past due	**4,688**	**1.0**	**48**
Total	**44,228**	**0.6**	**279**
2021:			
Current	17,546	0.3	49
1 to 30 days past due	3,525	1.2	44
31 to 60 days past due	1,834	1.8	33
61 to 90 days past due	1,082	0.5	5
Over 90 days past due	2,824	1.5	42
Total	26,811	0.6	173

The loss allowance of $279,000 (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 is no collateral held as security and other credit enhancements for the trade receivables held by the group and company.

23. Trade and other receivables (cont'd)

Expected credit losses (cont'd)

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.

Other receivables are normally with no fixed terms and therefore there is no fixed maturity date. 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.

At the end of the reporting year ended 31 December 2022, a loss allowance of $483,000 (2021: $350,000) is recognised on other receivables.

24. Other non-financial assets

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Advance payments to suppliers	**4,685**	5,810	**–**	–
Contract assets (Note 24A)	**378**	144	**–**	–
Prepayments	**243**	342	**3**	8
Deposits to secure services	**45**	408	**–**	77
Lease incentive	**92**	80	**–**	–
Total other non-financial assets	**5,443**	6,784	**3**	85

24A. Contract assets

	Group	
	2022	2021
	$'000	$'000
Consideration for work completed but not billed	**378**	144
The movements in contract assets are as follows:		
At beginning of the year	**144**	159
Cost incurred during the year on uncompleted contracts	**3,071**	1,078
Transfers to trade receivables	**(2,837)**	(1,093)
At the end of the year	**378**	144

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

24A. Contract assets (cont'd)

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

	Group	
	2022	2021
	$'000	$'000
Expected to be recognised as revenue within 1 year	**378**	144

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional.

25. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Not restricted in use	**10,989**	6,070	**30**	20
Cash pledged for bank facilities #	**515**	–	**–**	–
	11,504	6,070	**30**	20

The interest earning balances are not significant.

#: This is for amounts held by bankers to cover the bank facilities granted.

25A. Cash and cash equivalents in the consolidated statement of cash flows:

	Group	
	2022	2021
	$'000	$'000
Amount as shown above	**11,504**	6,070
Cash pledged for bank facilities	**(515)**	–
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	**10,989**	6,070

25. Cash and cash equivalents (cont'd)

25B. Non-cash transactions

	Group	
	2022	**2021**
	$'000	**$'000**
Acquisitions of certain assets under property, plant and equipment that remains unpaid included under other payables	**(1,290)**	(614)
Acquisitions of certain assets under right-of-use assets under lease contracts	**(2,158)**	(4,199)
	(3,448)	(4,813)

25C. Reconciliation of liabilities arising from financing activities

Group:	At beginning of the year $'000	Cash flows $'000	Non-cash changes $'000	At end of the year $'000
2022:				
Long-term borrowings	**112,924**	**60,092**	**–**	**173,016**
Short-term borrowings	**55,142**	**20,988**	**–**	**76,130**
Lease liabilities	**13,417**	**(1,596)**	**2,577** [(a)]	**14,398**
Total liabilities from financing activities	**181,483**	**79,484**	**2,577**	**263,544**
2021:				
Long-term borrowings	82,256	30,668	–	112,924
Short-term borrowings	34,597	20,545	–	55,142
Lease liabilities	10,236	(1,385)	4,566 [(a)(b)]	13,417
Total liabilities from financing activities	127,089	49,828	4,566	181,483

(a) Interest expense and additions of right-of-use assets under lease contracts.

(b) Net of Covid-19 related rent concessions from lessor of $14,000.

26. Share capital

	Group and company	
	Number of shares issued	**Share capital**
	'000	**$'000**
Ordinary shares of no par value:		
Balance at 1 January 2021, 31 December 2021 and 31 December 2022	**430,550**	**26,930**

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

26. Share capital (cont'd)

Capital management:

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

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

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

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

	Group	
	2022	**2021**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including leases	**263,544**	181,483
Less: Cash and cash equivalents	**(11,504)**	(6,070)
Net debt	**252,040**	175,413
Adjusted capital:		
Total equity	**96,012**	77,406
Debt-to-adjusted capital ratio	**262.5%**	226.6%

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debts.

27. Foreign currency translation reserve

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the group. This reserve is not available for cash dividends unless realised.

28. Loans and borrowings

	Group	
	2022	2021
	$'000	$'000
Non-current:		
With floating interest rates:		
Bank loan U (secured) (Note 28M)	**61,600**	–
Subtotal	**61,600**	–
With fixed interest rates:		
Bank loan F (secured) (Note 28C)	**8,594**	9,660
Bank loan H (secured) (Note 28E)	**38,219**	40,064
Bank loan I (secured) (Note 28F)	**7,297**	8,513
Bank loan J (secured) (Note 28F)	**6,567**	7,662
Bank loan K (secured) (Note 28G)	**2,148**	2,320
Bank loan M (secured) (Note 28H)	**1,153**	1,903
Bank loan N (secured) (Note 28H)	**937**	1,433
Bank loan O (secured) (Note 28H)	**244**	368
Bank loan P (secured) (Note 28I)	**11,664**	12,190
Bank loan Q (secured) (Note 28H)	**982**	1,349
Bank loan R (secured) (Note 28J)	**25,909**	27,044
Bank loan S (secured) (Note 28K)	**1,455**	418
Bank loan T (secured) (Note 28L)	**6,247**	–
Subtotal	**111,416**	112,924
Non-current, total	**173,016**	112,924
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 28A)	**5,500**	2,000
Bank loan B (secured) (Note 28A)	**8,000**	7,000
Bank loan C (secured) (Note 28A)	**3,000**	1,500
Bank loan D (secured) (Note 28B)	**9,000**	2,500
Bank loan E (secured) (Note 28B)	**2,000**	1,500
Bank loan G (secured) (Note 28D)	**4,500**	4,500
Bank loan L (secured) (Note 28A)	**5,500**	5,500
Bank loan V (secured) (Note 28N)	**500**	–
Trust receipts and bills payable (Note 28O)	**27,269**	19,992
Subtotal	**65,269**	44,492

28. Loans and borrowings (cont'd)

	Group 2022 $'000	Group 2021 $'000
With fixed interest rates:		
Bank loan F (secured) (Note 28C)	**1,066**	1,066
Bank loan H (secured) (Note 28E)	**2,945**	4,145
Bank loan I (secured) (Note 28F)	**1,216**	1,216
Bank loan J (secured) (Note 28F)	**1,095**	1,095
Bank loan K (secured) (Note 28G)	**172**	172
Bank loan M (secured) (Note 28H)	**750**	735
Bank loan N (secured) (Note 28H)	**497**	487
Bank loan O (secured) (Note 28H)	**124**	121
Bank loan P (secured) (Note 28I)	**596**	610
Bank loan Q (secured) (Note 28H)	**367**	151
Bank loan R (secured) (Note 28J)	**1,135**	756
Bank loan S (secured) (Note 28K)	**472**	96
Bank loan T (secured) (Note 28L)	**426**	–
Subtotal	**10,861**	10,650
Current, total	**76,130**	55,142
Total	**249,146**	168,066
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

28. Loans and borrowings (cont'd)

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

28. Loans and borrowings (cont'd)

28A. Bank loans A, B, C and L (secured)

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

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

28B. Bank loans D and E (secured)

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

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Corporate guarantee from the company.
(iii) Need to comply with certain financial covenants.

28C. Bank loan F (secured)

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

(i) Repayable by equal monthly instalments over 20 years from November 2011 and July 2013 respectively.
(ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

28D. Bank loan G (secured)

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

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months), subject to yearly reduction of $750,000 over 8 years until the limit is reduced to $4,000,000.
(ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

28E. Bank loan H (secured)

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

(i) Repayable by over 3 years fixed principal instalment of $125,000 each and remaining by equal monthly instalments over 12 years commencing from May 2017.
(ii) Legal mortgage on a leasehold property (Note 15) and leasehold land (Note 16).
(iii) Legal assignment of insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements 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.

28. Loans and borrowings (cont'd)

28F. Bank loans I and J (secured)

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

(i) Repayable by equal monthly instalments over 14 years from January 2016.
(ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

28G. Bank loan K (secured)

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

(i) Repayable by equal monthly instalments over 20 years from July 2016.
(ii) Legal mortgage on an investment property (Note 17).
(iii) Assignment of rental proceeds.
(iv) Corporate guarantee from the company.
(v) Personal guarantee from a director.
(vi) Need to comply with certain financial covenants.

28H. Bank loans M, N, 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.

28I. 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 15).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

28J. 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 leasehold land (Note 16) and an investment property (Note 17).
(iv) Corporate guarantee from a subsidiary.
(v) Need to comply with certain financial covenants.

28. Loans and borrowings (cont'd)

28K. 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 15).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

28L. 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 15).
(iii) Corporate guarantee from a subsidiary.
(iv) Need to comply with certain financial covenants.

28M. 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, commencing March 2024.
(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 mix of leasehold property (Note 15), leasehold land (Note 16) and investment property (Note 17).
(iv) Corporate guarantee from the company and a subsidiary.
(v) Need to comply with certain financial covenants.

28N. Bank loan V (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).
(ii) Corporate guarantee from the company.

28O. Trust receipts and bills payable

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

29. Lease liabilities

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Lease liabilities, current	**1,015**	926	**–**	50
Lease liabilities, non-current	**13,383**	12,491	**–**	51
	14,398	13,417	**–**	101

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Total lease liabilities at beginning of reporting year	**13,417**	10,236	**101**	148
Additions	**2,158**	4,199	**–**	–
Accretion of interest	**421**	386	**3**	5
Covid-19 related rent concessions from lessor (Note 7)	**–**	(14)	**–**	–
Lease payments – principal portion paid	**(1,596)**	(1,385)	**(101)**	(47)
Interest paid	**(2)**	(5)	**(3)**	(5)
Total lease liabilities at end of reporting year	**14,398**	13,417	**–**	101

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.

Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

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

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

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

A summary of the maturity analysis of lease liabilities is disclosed in Note 36E. Total cash outflows from leases are shown in the consolidated statement of cash flows. The related right-of-use assets are disclosed in Note 16.

During the reporting year, expense of the group relating to short-term leases included in other expenses was $609,000 (2021: $977,000) (Note 11).

30. Provision

	Group	
	2022	2021
	$'000	$'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).

31. Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**17,401**	12,405	**2,101**	960
Joint venture (Note 3)	**468**	92	**–**	–
Other related parties (Note 3)	**2,721**	1,143	**–**	–
Subtotal	**20,590**	13,640	**2,101**	960
Other payables:				
Outside parties [#a]	**4,093**	1,512	**–**	–
Subsidiary (Note 3)	**–**	–	**9,400**	9,400
Joint ventures (Note 3)	**798**	–	**–**	–
Other related party (Note 3)	**284**	–	**–**	–
Director cum shareholder (Note 3)	**889**	1,408	**–**	–
Shareholder (Note 3)	**–**	1,108	**–**	–
Subtotal	**6,064**	4,028	**9,400**	9,400
Total trade and other payables	**26,654**	17,668	**11,501**	10,360

#a Included in other payables is a loan from CNA Pte. Ltd., a shareholder of a subsidiary, Hafary Element Pte. Ltd., amounting to $1,413,000 (2021: Nil), which is unsecured, interest-free and repayable on demand.

32. Other non-financial liabilities

	Group 2022 $'000	Group 2021 $'000
Contract liabilities – advance payments from customers	**8,053**	4,799
Lease incentives	**88**	38
Total other non-financial liabilities	**8,141**	4,837

The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the goods or service transfers to the customer.

33. Derivative financial assets (liabilities)

	Group 2022 $'000	Group 2021 $'000
Forward foreign exchange contracts	**81**	(64)
The movements during the year were as follows:		
Balance at beginning of the year	**(64)**	9
Increase (decrease) in fair value through profit or loss under other gains (other losses) (Note 7)	**145**	(73)
Balance at end of the year	**81**	(64)

33A. Forward foreign exchange contracts

The gross amounts of all notional values for contracts that have not yet been settled or cancelled at the end of the reporting year were as follows:

	Reference currency						Total
	United States Dollar		Euro		Chinese Renminbi		
Group:	Principal	Fair value	Principal	Fair value	Principal	Fair value	Fair value
Maturity	US$'000	$'000	€'000	$'000	RMB'000	$'000	$'000
2022:							
Within 2 months	**87**	**(1)**	**2,401**	**54**	**–**	**–**	**53**
Within 3 to 4 months	**–**	**–**	**3,729**	**38**	**–**	**–**	**38**
Within 5 to 6 months	**–**	**–**	**1,446**	**(10)**	**–**	**–**	**(10)**
	87	**(1)**	**7,576**	**82**	**–**	**–**	**81**
2021:							
Within 2 months	324	(1)	1,450	(45)	90	–	(46)
Within 3 to 4 months	–	–	960	(18)	–	–	(18)
	324	(1)	2,410	(63)	90	–	(64)

33. Derivative financial assets (liabilities) (cont'd)

33A. Forward foreign exchange contracts (cont'd)

The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

The purpose of these contracts is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in the foreign currencies indicated above. The forward currency contracts are put in place in order to hedge the anticipated purchases that will be made in the foreign currencies indicated over the next reporting year.

The fair value (Level 2) of forward foreign exchange contracts is based on current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

34. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2022	**2021**
	$'000	**$'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 for investment property and property, plant and equipment	**10,154**	1,614
Total	**10,232**	14,024

35. Operating lease income commitments – as lessor

A maturity analysis of the undiscounted lease amounts to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years is as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
Not later than one year	**4,752**	3,850
Between one and two years	**2,076**	2,735
Between two and three years	**838**	753
Between three and four years	**262**	–
Total	**7,928**	7,338
Rental income for the year (Note 7)	**5,215**	3,888

35. Operating lease income commitments – as lessor (cont'd)

Operating lease income commitments are for certain leasehold and freehold properties. The lease rental income terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of rent increase is not to exceed a certain percentage.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As the lessor, the group manages the risk associated with any rights it retains in the underlying assets including any means to reduce that risk. Such means may include, insurance coverage, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits, having clauses in the leases providing for compensation to the lessor when a property has been subjected to excess wear-and-tear during the lease term.

36. Financial instruments: information on financial risks

36A. Categories of financial assets and liabilities

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Financial assets at amortised cost	**64,800**	41,803	**35,667**	31,085
Financial assets at fair value through profit or loss	**335**	340	**335**	340
Derivatives financial instruments at fair value	**81**	–	**–**	–
	65,216	42,143	**36,002**	31,425
Financial liabilities:				
Financial liabilities at amortised cost	**290,198**	199,151	**11,501**	10,461
Derivatives financial instruments at fair value	**–**	64	**–**	–
	290,198	199,215	**11,501**	10,461

Further quantitative disclosures are included throughout these financial statements.

36. Financial instruments: information on financial risks (cont'd)

36B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

(i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.

(ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.

(iii) All financial risk management activities are carried out and monitored by senior management staff.

(iv) All financial risk management activities are carried out following market practices.

(v) When appropriate, consideration is given to investing in shares or similar instruments.

(vi) When appropriate, consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

The financial controller who monitors the procedures and reports to the Audit Committee of the board.

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

36C. Fair values of financial instruments

The analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the material financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments. The disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

36D. Credit risk on financial assets

Financial assets are principally from cash balances with banks, cash equivalents, receivables and other financial assets at amortised cost. They are potentially subject to credit risk due to failures by counterparties to discharge their obligations in full or in a timely manner. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances and any other financial instruments with banks and other financial institutions is limited because the counterparties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach (that is, to recognise the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life at each reporting date) is permitted by the financial reporting standard on financial instruments for financial assets that do not contain a significant financing component, such as trade receivables and contract assets. For the credit risk on the financial assets an ongoing credit evaluation is performed on the financial condition of the debtors and any loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity.

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

Group:	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	More than 5 years $'000	Total $'000
2022:					
Gross loans and borrowings	**82,736**	**35,086**	**85,348**	**73,368**	**276,538**
Lease liabilities	**1,429**	**2,467**	**1,422**	**16,294**	**21,612**
Trade and other payables	**26,654**	**–**	**–**	**–**	**26,654**
	110,819	**37,553**	**86,770**	**89,662**	**324,804**
2021:					
Gross loans and borrowings	57,721	25,710	23,052	75,085	181,568
Lease liabilities	1,313	1,798	1,228	16,532	20,871
Trade and other payables	17,668	–	–	–	17,668
	76,702	27,508	24,280	91,617	220,107

Company:	Less than 1 year $'000	1 to 3 years $'000	Total $'000
2022:			
Trade and other payables	**11,501**	**–**	**11,501**
	11,501	**–**	**11,501**
2021:			
Lease liabilities	53	53	106
Trade and other payables	10,360	–	10,360
	10,413	53	10,466

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Less than 1 year	
	2022	2021
Group:	$'000	$'000
Forward currency forward contracts	10,919	4,208

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included based on the earliest date on which it can be required to pay.

Financial guarantee contracts - For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company:	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	More than 5 years $'000	Total $'000
2022:					
Financial guarantee contracts in favour of subsidiaries (Note 3)	73,925	22,468	69,764	40,313	206,470
2021:					
Financial guarantee contracts in favour of subsidiaries (Note 3)	52,276	16,216	14,251	34,698	117,441

The average credit period taken to settle trade payables is about 60 days (2021: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.

36. Financial instruments: information on financial risks (cont'd)

36F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. The interest from financial assets is not material.

The following table analyses the breakdown of the significant financial instruments by type of interest rate at the end of the reporting year:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Financial liabilities with interest:				
Fixed rates	**136,675**	136,991	**–**	101
Floating rates	**126,869**	44,492	**–**	–
	263,544	181,483	**–**	101

The floating rate debt instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2022	2021
	$'000	$'000
Financial liabilities:		
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax profit for the year by	**1,269**	445

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

36G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency that is a currency other than the functional currency in which they are measured. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency as defined in the financial reporting standard on financial instruments: disclosures.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risk (cont'd)

Analysis of amounts of financial assets and financial liabilities denominated in non-functional currencies at end of the reporting year is as follows:

Group	United States Dollar $'000	Euro $'000	Chinese Renminbi $'000	Total $'000
2022:				
Financial assets:				
Cash and cash equivalents	**713**	**24**	**–**	**737**
Loans and receivables	**1,693**	**619**	**–**	**2,312**
Total financial assets	**2,406**	**643**	**–**	**3,049**
Financial liabilities:				
Loans and borrowings	**–**	**(12,778)**	**–**	**(12,778)**
Trade and other payables	**(4,262)**	**(457)**	**(246)**	**(4,965)**
Total financial liabilities	**(4,262)**	**(13,235)**	**(246)**	**(17,743)**
Net financial liabilities	**(1,856)**	**(12,592)**	**(246)**	**(14,694)**
2021:				
Financial assets:				
Cash and cash equivalents	788	62	–	850
Loans and receivables	3,418	311	–	3,729
Total financial assets	4,206	373	–	4,579
Financial liabilities:				
Loans and borrowings	–	(6,961)	–	(6,961)
Trade and other payables	(4,417)	(154)	(2,074)	(6,645)
Total financial liabilities	(4,417)	(7,115)	(2,074)	(13,606)
Net financial liabilities	(211)	(6,742)	(2,074)	(9,027)

There is exposure to foreign currency risk as part of the group's normal business. In particular, there is significantly exposure to United States Dollar, Euro and Chinese Renminbi currency risk due to the large value of purchases denominated in these currencies and the group sells its goods in Singapore Dollar. In this respect, forward currency contracts are entered into for the purpose of hedging the purchases in United States Dollar, Euro and Chinese Renminbi. Note 33A disclosed the forward currency contracts in place at the end of the reporting year.

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2022	**2021**
	$'000	**$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the following currencies with all other variables held constant would have a favourable effect on pre-tax profit of:		
United States Dollar	**186**	21
Euro	**1,259**	674
Chinese Renminbi	**25**	207

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the group has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

36H. Equity price risk

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities.

Sensitivity analysis: The effect on pre-tax profit is not significant.

37. Reclassifications of comparative figures

Certain reclassifications were made in the balances in the financial statements for last year. The changes in the balances included the following:

		Reclassifications	
	After	**Before**	**Difference**
	$'000	**$'000**	**$'000**
2021 Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenue	126,004	130,095	(4,091)
Other income and gains	6,127	2,065	4,062
Other losses	(194)	(223)	29

37. Reclassifications of comparative figures (cont'd)

The reclassifications were made to enhance comparability with current year's consolidated statement of profit or loss and other comprehensive income. The reclassification relates to rental income and other income. There are no changes to other components of the financial statements.

38. Changes and adoption of financial reporting standards

For the current reporting year, the Singapore Accounting Standards Council issued new or revised financial reporting standards. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

SFRS(I) No.	Title
Various	Annual Improvements to SFRS(I)s 2018-2020 – Amendments to SFRS(I) 1 First-time Adoption of SFRS(I); IFRS 9 Financial Instruments; SFRS(I) 16 Leases; and SFRS(I) 1-41 Agriculture

39. New or amended standards in issue but not yet effective

For the future reporting years, the Singapore Accounting Standards Council issued certain new or revised financial reporting standards and these will only be effective for future reporting years. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any material modification of the measurement methods or the presentation in the financial statements for the following reporting year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the group's financial statements in the period of initial application. Those applicable to the group for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-1	Presentation of Financial Statements – Amendment relating to Classification of Liabilities as Current or Non-current	1 January 2024
SFRS(I) 1-1	Disclosure of Accounting Policies – Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 Making Materiality Judgements	1 January 2023
SFRS(I) 1-8	Definition of Accounting Estimates – Amendments	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments	1 January 2023
SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2023

Number of shares	:	430,550,000
Class of equity securities	:	Ordinary
Voting rights	:	One vote per ordinary share
Teasury shares and subsidiary holdings held	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.33	90	0.00*
100 - 1,000	31	5.16	13,300	0.00*
1,001 - 10,000	158	26.29	1,092,310	0.25
10,001 - 1,000,000	400	66.56	29,518,020	6.86
1,000,001 AND ABOVE	10	1.66	399,926,280	92.89
TOTAL	**601**	**100.00**	**430,550,000**	**100.00**

* Less than 0.01%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82	–	–
HAP SENG CONSOLIDATED BERHAD[1]	–	–	218,790,000	50.82
GEK POH (HOLDINGS) SDN BHD[1]	–	–	218,790,000	50.82
MAGIC PRINCIPLE ASSETS LIMITED[2]	–	–	218,790,000	50.82
HSBC INTERNATIONAL TRUSTEE LIMITED[2]	–	–	218,790,000	50.82
TAN SRI DATUK SERI PANGLIMA LAU CHO KUN @ LAU YU CHAK[3]	–	–	218,790,000	50.82
LOW KOK ANN[4]	36,847,403	8.56	–	–
LOW SEE CHING[4,5]	109,547,280	25.45	–	–
LOW BEE LAN AUDREY[4]	22,133,857	5.14	–	–

Notes:

(1) Gek Poh (Holdings) Sdn. Bhd. ("GPH") holds a 62.64% comprising direct and indirect interest of 54.63% and 8.01% respectively in Hap Seng Consolidated Berhad ("HSCB"), which wholly-owns Hap Seng Investment Holdings Pte Ltd ("HSIHPL"). GPH and HSCB are each deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act, Chapter 50 (the "Act").

(2) Magic Principle Assets Limited ("MPAL") holds a 44% interest in GPH, and is wholly-owned by HSBC International Trustee Limited ("HSBC"). MPAL and HSBC are deemed interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.

(3) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in GPH, and is deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.

(4) Low Kok Ann is the father of Low See Ching and Low Bee Lan Audrey.

(5) 109,472,280 ordinary shares are held in the name of UOB Kay Hian Private Limited

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2023

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82
2	UOB KAY HIAN PRIVATE LIMITED	109,522,280	25.44
3	LOW KOK ANN	36,847,403	8.56
4	LOW BEE LAN AUDREY	22,133,857	5.14
5	PHILLIP SECURITIES PTE LTD	4,051,260	0.94
6	PHOON WAIE KUAN	2,295,480	0.53
7	OCBC SECURITIES PRIVATE LIMITED	1,980,100	0.46
8	DBS NOMINEES (PRIVATE) LIMITED	1,619,600	0.38
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,442,600	0.34
10	HONG LEONG FINANCE NOMINEES PTE LTD	1,243,700	0.29
11	GOH KEE CHOO (WU QIZHU)	995,700	0.23
12	AH HOT GERARD ANDRE	650,500	0.15
13	TAY ENG KIAT JACKSON (ZHENG YINGJIE)	650,000	0.15
14	LOW EE HWEE	630,000	0.15
15	EVANGELIN YEW LEET LING (EVANGELIN YAO LILING)	551,400	0.13
16	RAFFLES NOMINEES (PTE.) LIMITED	527,920	0.12
17	ANG KIAN CHUAN	500,000	0.12
18	HSBC (SINGAPORE) NOMINEES PTE LTD	454,200	0.11
19	LEE CHEE KWAN	445,000	0.10
20	LOW SUAT HAR (LIU XUEXIA)	419,400	0.10
	TOTAL:	**405,750,400**	**94.26**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

10.04% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of The Singapore Exchange Securities Trading Limited Listing Manual.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Low Kok Ann, is seeking re-election as Director in at the forthcoming Annual General Meeting.

Name	**:**	**Low Kok Ann**
Date of first Appointment	:	6 October 2009
Age	:	74
Country of Principal Residence	:	Singapore
Date of last re-appointment	:	22 June 2020
The Board's comments on the re-appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	:	The Board has considered the Nominating Committee's recommendation and assessments of Mr Low's qualifications and experience (as set out below), is satisfied that he has the requisite experience and capabilities to assume the duties and responsibilities as the Executive Director and Chief Executive Officer of the Company.
Whether appointment is executive, and if so, the area of responsibility	:	Executive, responsible for formulating and overseeing the corporate and strategic development and overall management and operations of the Group
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	• Chief Executive Officer • Executive Director
Professional qualifications	:	• Government Higher School Certificate (Chinese)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	Father of Low See Ching (Non-Independent Non-Executive Director)
Conflict of interest (including any competing business)	:	No
Working experience and occupation(s) during the past 10 years	:	Executive Director of the Company since 6 October 2009. He was one of the founders of the main subsidiary of our Company, Hafary Pte Ltd , and has been an Executive Director since its corporation in 1980. His wealth of experience in the tile industry has been pivotal to Company success and growth.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1) has been submitted to Hafary	:	Yes
Shareholding interest in the listed issuer and its subsidiaries	:	Yes
Shareholding Details	:	Direct Interest Hafary Holdings Limited 36,847,403 ordinary shares

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Low Kok Ann**
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	:	None
Present	:	Hafary Holdings Limited • Executive Director and Chief Executive Officer
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	:	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	:	No
(c) Whether there is any unsatisfied judgment against him?	:	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	:	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	:	No

Name	:	**Low Kok Ann**
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	:	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	:	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	:	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	:	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	:	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Low Kok Ann**
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	:	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	:	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	:	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an listed issuer listed on the Exchange? If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	:	Not Applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Ong Beng Chye, is seeking re-election as Director in at the forthcoming Annual General Meeting.

Name	:	**Ong Beng Chye**
Date of first Appointment	:	10 November 2009
Age	:	54
Country of Principal Residence	:	Singapore
Date of last re-appointment	:	14 April 2021
The Board's comments on the re-appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	:	The Board has considered the Nominating Committee's recommendation and assessments of Mr Ong's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	:	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Independent Non-Executive Chairman, Lead Independent Director, Chairman of the Audit Committee and member of Nominating Committee and Remuneration Committee.
Professional qualifications	:	• Bachelor of Science with Honours from the City, University of London • Fellow of the Institute of Chartered Accountants in England and Wales • Chartered Financial Analyst • Non-practicing member of the Insititute of Singapore Chartered Accountants
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	No
Conflict of interest (including any competing business)	:	No
Working experience and occupation(s) during the past 10 years	:	Mr Ong Beng Chye has more than 30 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a director of Appleton Global Private Limited, a business management and consultancy services firm. He is also serving as an independent director of other public listed companies in Singapore.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1) has been submitted to Hafary	:	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	**:**	**Ong Beng Chye**
Shareholding interest in the listed issuer and its subsidiaries	:	No
Shareholding Details	:	-
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	:	Listed companies: ● Heatec Jietong Holdings Ltd. ● Kitchen Culture Holdings Ltd. ● CapAllianz Holdings Ltd (formerly known as "CWX Global Limited") Non-listed company: ● Gem Accounting Pte Ltd
Present	:	Listed companies: ● Hafary Holdings Limited (Lead Independent Director) ● ES Group (Holdings) Limited (Independet Director) ● Geo Energy Resouces Limited (Independent Director) ● IPS Securex Holdings Limited (Independent Director) ● Alpina Holdings Limited (Independent Director) ● LMS Compliance Ltd (Independent Director) Non-listed companies: ● Appleton Global Pte. Ltd. ● Gem Corp Services Pte. Ltd. ● Penta Power Investment Pte. Ltd.
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	:	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		**:**	**Ong Beng Chye**
(c)	Whether there is any unsatisfied judgment against him?	:	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	:	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	:	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	:	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	:	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		**:**	**Ong Beng Chye**
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	:	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	:	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	:	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	:	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	:	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	**:**	**Ong Beng Chye**
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an listed issuer listed on the Exchange? If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	:	Not Applicable

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hafary Holdings Limited (the "**Company**") will be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Friday, 28 April 2023 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Independent Auditor's Report thereon.
(Ordinary Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 104 of the Constitution of the Company and/or Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

   Mr Low Kok Ann **(Ordinary Resolution 2)**
   Mr Ong Beng Chye **(Ordinary Resolution 3)**

   Mr Low Kok Ann will, upon re-election as Director of the Company, remain as Executive Director and Chief Executive Officer and will be considered non-independent.

   Mr Ong Beng Chye will, upon re-election as Director of the Company, remain as Independent Non-Executive Chairman, Chairman of Audit Committee and Member of Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

3. To approve the payment of Directors' Fees of S$231,000 for the financial year ended 31 December 2022. (FY2021: S$231,000) **(Ordinary Resolution 4)**

4. To re-appoint RSM Chio Lim LLP as Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Ordinary Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act 1967 of Singapore ("**Companies Act**"), the Constitution of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be and are hereby authorised and empowered to:

   (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

(b) (notwithstanding the authority conferred by this Resolution that may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments and made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Ordinary Resolution 6)**

7. **Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan**

That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Hafary Performance Share Plan (the "**Plan**") and to allot and issue and/or deliver such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of shares to be delivered pursuant to the Plan, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Ordinary Resolution 7)**

8. **Renewal of General Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be and is hereby given for the renewal of the general mandate permitting the Company, its subsidiaries and associated companies to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting (the "**Appendix**") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms which are not prejudicial to the interests of the Company and its minority Shareholders (as defined in the Appendix) and are in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "**IPT General Mandate**");

(b) the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT General Mandate as they may think fit.

[See Explanatory Note (iii)] **(Ordinary Resolution 8)**

9. **The Proposed Adoption of the New Constitution of the Company**

That:

(a) the New Constitution submitted to this meeting and reproduced in its entirety in the Circular to Shareholders dated 6 April 2023 in relation to the Proposed Adoption of New Constitution be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the Existing Constitution; and

(b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.

[See Explanatory Note (iv)] **(Special Resolution)**

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary

Singapore, 6 April 2023

Explanatory Notes:

(i) Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is earlier, to offer and grant awards under the Plan in accordance with the provision of the Plan and to deliver from time to time such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan up to a number not exceeding in aggregate (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(iii) Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(iv) The Special Resolution, if passed, will approve the adoption of the New Constitution in substitution for, and to the exclusion of, the Company's Existing Constitution. The New Constitution will replace the Existing Constitution and incorporate amendments to take into account, inter alia, the changes to the Companies Act introduced pursuant to the Companies Amendment Act 2014 and Companies Amendment Act 2017. Please refer to the Circular to Shareholders dated 6 April 2023 in relation to the Proposed Adoption of New Constitution for further details.

Notes:

1. Members of the Company are invited to **attend physically** at the Annual General Meeting (the "Meeting"). There will be no option for members to participate virtually. The Annual Report 2022, Notice of Annual General Meeting, Proxy Form, Appendix and Circular to Shareholders (the "Reports") will **NOT** be sent to members. The Reports will be made available to members by electronic means via publication on the Company's corporate website https://www.hafary.com.sg and is also made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. Members (including Central Provident Fund Investment Scheme investors ("CPF Investors") and/or Supplementary Retirement Scheme investors ("SRS Investors")) may participate in the Meeting by:

   (a) attending the Meeting in person;

   (b) raising questions at the Meeting or submitting questions in advance of the Meeting; and/or

   (c) voting at the Meeting:

      (i) themselves personally; or

      (ii) through their duly appointed proxy(ies).

   A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Meeting. Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act), including CPF or SRS investors who wish to appoint proxy or proxies or the Chairman of the Meeting as proxy should approach their respective relevant intermediaries or CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the Meeting, by **2.00 p.m. on 18 April 2023**.

A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Rlevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act:

(a) a banking corporation licensed under the Banking Act 1970, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

4. A member can appoint the Chairman of the Meeting as his/her/its proxy but this is not mandatory.

   If a member wishes to appoint the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the Meeting as proxy. If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. Duly completed and signed instrument appointing the proxy or proxies or Chairman of the Meeting as proxy must either be submitted to the Company in the following manner:

   (a) if submitted by post, to be deposited at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or

   (b) if submitted electronically, to be submitted via email to enquiry@hafary.com.sg.

   in either case, by 2.00 p.m. on 26 April 2023 (being not less than forty-eight (48) hours before the time appointed for the Meeting.

   A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

   Members are strongly encouraged to submit completed proxy forms electronically via email to enquiry@hafary.com.sg

6. Members may submit questions related to the resolutions to be tabled for approval at the Meeting in advance of the Meeting by 2.00 p.m. 14 April 2023:

   (a) by post to the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or

   (b) by email to enquiry@hafary.com.sg.

   The Board of Directors of the Company will endeavour to address all substantial and relevant questions received from shareholders prior to the Meeting by publishing the responses to those questions on SGXNet and the Company's website at the URL https://www.hafary.com.sg, at least seventy-two (72) hours prior to the closing date and time for the lodgement of the proxy forms by **2.00 p.m. on 23 April 2023**.

   The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the Meeting via SGXNet on SGX website and the Company's website within one (1) month from the date of the Meeting.

Personal data privacy:

By submitting an instrument appointing proxy(ies) or the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of proxy(ies) or the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared for the Meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the Meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

HAFARY HOLDINGS LIMITED
合發利控股有限公司
Incorporated in the Republic of Singapore
Company Registration No. 200918637C

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF or SRS investors who wish to appoint proxy or proxies or the Chairman of the Meeting as proxy should approach their respective relevant intermediaries or CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM by **2.00 p.m. on 18 April 2023**.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of **HAFARY HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for or against or abstain from voting on the Resolutions for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Friday, 28 April 2023 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against or abstain from voting on the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolutions relating to:	Number of Votes For[(1)]	Number of Votes Against[(1)]	Number of Votes Abstain[(1)]
Ordinary Business:				
1	Statement by Directors and Audited Financial Statements for the financial year ended 31 December 2022			
2	Re-election of Mr Low Kok Ann as Director			
3	Re-election of Mr Ong Beng Chye as Director			
4	Approval of Directors' Fees amounting to S$231,000 for the financial year ended 31 December 2022			
5	Re-appointment of RSM Chio Lim LLP as Independent Auditor			
Special Business:				
6	Authority to issue shares			
7	Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan			
8	Renewal of General Mandate for Interested Person Transactions			
Special Resolution relating to:				
The Proposed Adoption of the New Constitution of the Company				

[(1)] *In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.*

Dated this ______________ day of ____________________ 2023

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. The instrument of appointing a proxy may be accessed at the Company's website at the URL https://www.hafary.com.sg or on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   A member can appoint the Chairman of the Meeting as his/her/its proxy but this is not mandatory. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. The Chairman of the Meeting, as proxy, need not be a member of the Company.

6. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

7. The instrument appointing proxy or proxies or the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or

   (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg.

   in either case, by 2.00 p.m. on 26 April 2023 (being not less than forty-eight (48) hours before the time appointed for the Meeting.

8. A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

   Members are strongly encouraged to submit completed proxy forms electronically via email.

9. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

10. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal (or such other methods as provided for in Section 41B of the Companies Act 1967 of Singapore) or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2023.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OUR SHOWROOMS

Hafary Gallery

105 Eunos Avenue 3, Hafary Centre, Singapore 409836
Tel: 6250 1368
Fax: 6383 1536
Email: eunosshowroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am- 7.30pm
Sun and PH: 9.00am- 7.00pm

Hafary Tradehub 21

18 Boon Lay Way, #01-132 Tradehub 21, Singapore 609966
Tel: 6570 6265
Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am - 7.30pm
Sun and PH: 9.00am- 7.00pm

Hafary Balestier

560 Balestier Road, Singapore 329876
Tel: 6250 1369
Fax: 6255 4450
Email: balestiershowroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am- 8.00pm
Sun and PH: 9.00am- 7.00pm

The Stone Gallery By Hafary

18 Sungei Kadut Street 2, World Furnishing Hub, Level 7
Singapore 729236
Tel: 6219 3323
Fax: 6219 3313
Email: thestonegallery@hafary.com.sg

Operating hours (By Appointment only):
Mon to Sat: 9.00am- 6.00pm

HAFARY HOLDINGS LIMITED ANNUAL REPORT 2022

合發利控股有限公司
HAFARY HOLDINGS LIMITED

(Company Registration No. 200918637C)
105 Eunos Avenue 3 Hafary Centre
Singapore 409836