HAFARY HOLDINGS LIMITED
INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Six Months ("2H2023") and Full Year ("FY2023") Ended 31 December 2023

	Notes	2H2023 $'000	2H2022 $'000	Change %	FY2023 $'000	FY2022 $'000	Change %
Revenue	2	121,579	97,612	24.6	226,422	168,885	34.1
Interest income		101	50	102.0	180	109	65.1
Other income and gains		10,441	3,586	191.2	13,372	6,950	92.4
Changes in inventories of goods held for resale		(3,560)	1,932	(284.3)	(1,478)	10,923	(113.5)
Purchases and related costs		(62,849)	(52,919)	18.8	(120,778)	(100,970)	19.6
Employee benefits expenses		(18,195)	(13,400)	35.8	(34,030)	(24,623)	38.2
Amortisation and depreciation expense		(6,885)	(4,913)	40.1	(11,940)	(9,454)	26.3
Impairment losses		(72)	(164)	(56.1)	(157)	(589)	(73.3)
Other losses		(102)	–	N.M.	(349)	–	N.M.
Finance costs		(4,942)	(2,740)	80.4	(9,491)	(4,616)	105.6
Other expenses		(8,819)	(6,969)	26.5	(16,282)	(13,073)	24.5
Share of profit from an equity-accounted associate		1,666	2,070	(19.5)	3,220	3,679	(12.5)
Share of profit from equity-accounted joint ventures		260	262	(0.8)	280	362	(22.7)
Profit before income tax		28,623	24,407	17.3	48,969	37,583	30.3
Income tax expense	4	(4,635)	(4,584)	1.1	(8,873)	(6,945)	27.8
Profit, net of tax		23,988	19,823	21.0	40,096	30,638	30.9
<u>Other comprehensive loss</u>							
Item that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations, net of tax		(805)	(1,186)	(32.1)	(1,649)	(1,642)	0.4
Total comprehensive income for the year, net of tax		23,183	18,637	24.4	38,447	28,996	32.6

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Six Months and Full Year Ended 31 December 2023 (cont'd)

	Notes	2H2023 $'000	2H2022 $'000	Change %	FY2023 $'000	FY2022 $'000	Change %
Profit attributable to:							
- Owners of the parent, net of tax		23,302	18,987	22.7	39,066	29,372	33.0
- Non-controlling interests, net of tax		686	836	(17.9)	1,030	1,266	(18.6)
		23,988	19,823	21.0	40,096	30,638	30.9
Total comprehensive income attributable to:							
- Owners of the parent		22,497	17,801	26.4	37,417	27,730	34.9
- Non-controlling interests		686	836	(17.9)	1,030	1,266	(18.6)
		23,183	18,637	24.4	38,447	28,996	32.6
		Cents	Cents		Cents	Cents	
Earnings per share							
Basic and diluted		5.41	4.41		9.07	6.82	

Additional Information on the Interim Consolidated Statement of Profit or Loss For The Six Months and Full Year Ended 31 December 2023

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

	2H2023 $'000	2H2022 $'000	Change %	FY2023 $'000	FY2022 $'000	Change %
Rental income	2,475	2,753	(10.1)	4,983	5,215	(4.4)
Interest expense on borrowings	(4,662)	(2,530)	84.3	(8,991)	(4,195)	114.3
Interest expense on lease liabilities	(280)	(210)	33.3	(500)	(421)	18.8
Interest income	101	50	102.0	180	109	65.1
Depreciation of investment property	(110)	(290)	(62.1)	(299)	(299)	–
Depreciation of property, plant and equipment	(4,427)	(3,313)	33.6	(7,969)	(6,638)	20.1
Depreciation of right-of-use assets	(1,699)	(1,310)	29.7	(3,023)	(2,517)	20.1
Amortisation of intangible assets	(649)	–	100.0	(649)	–	100.0
(Additions) reversal – individually impaired	(705)	(332)	112.3	(797)	(184)	333.2
Reversal (additions)– collectively impaired	14	(47)	(129.8)	39	(106)	(136.8)
Allowance for impairment of other receivables	(214)	(133)	60.9	(214)	(133)	60.9
Bad debts written-off – trade receivables	(17)	–	100.0	(17)	–	100.0
Bad debts recovered – trade receivables	3	7	(57.1)	18	7	157.1
Net allowance for impairment of inventories – reversal (additions)	848	341	148.7	814	(173)	(570.5)
Foreign exchange adjustment (losses) gains	(53)	(21)	152.4	(268)	219	(222.4)
Fair value (loss) gain on derivative financial instruments, net	(49)	147	(133.3)	(82)	145	(156.6)
Fair value gains on other financial assets, net	2	124	(98.4)	2	124	(98.4)
Gain on disposal of joint venture	7,507	–	100.0	7,507	–	100.0
Gain on disposal of plant and equipment	–	161	(100.0)	1	163	(99.4)
Gain on disposal of quoted Securities	–	91	(100.0)	–	91	(100.0)
Government grants	5	68	(92.6)	94	411	(77.1)

N.M.: Not meaningful.

Condensed Interim Statements of Financial Position
As at 31 December 2023

	Notes	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	115,128	104,086	371	473
Right-of-use assets	7	134,168	132,140	–	–
Investment properties	8	21,184	17,390	–	–
Intangible assets	9	8,476	–	–	–
Investments in subsidiaries		–	–	9,239	9,239
Investment in an associate	10	20,351	19,423	–	–
Investments in joint ventures	11	193	2,832	–	–
Other financial assets		374	335	338	335
Total non-current assets		299,874	276,206	9,948	10,047
Current assets					
Inventories	12	90,258	56,998	–	–
Trade and other receivables	13	56,341	53,296	30,309	35,637
Derivative financial assets		–	81	–	–
Other non-financial assets		7,231	5,443	2	3
Cash and cash equivalents		17,897	11,504	39	30
Total current assets		171,727	127,322	30,350	35,670
Total assets		471,601	403,528	40,298	45,717
EQUITY AND LIABILITIES					
Equity					
Share capital	14	26,930	26,930	26,930	26,930
Retained earnings		94,576	67,350	1,253	7,286
Other reserves	15	(3,358)	(1,709)	–	–
Equity, attributable to owners of the parent		118,148	92,571	28,183	34,216
Non-controlling interests		7,687	3,441	–	–
Total equity		125,835	96,012	28,183	34,216
Non-current liabilities					
Deferred tax liabilities		1,768	886	–	–
Loans and borrowings, non-current	17, 18	168,199	173,016	–	–
Lease liabilities, non-current	17, 19	15,633	13,383	–	–
Total non-current liabilities		185,600	187,285	–	–
Current liabilities					
Income tax payable		8,803	7,172	16	–
Provision	20	980	1,119	–	–
Trade and other payables		53,407	26,654	12,099	11,501
Derivative financial liabilities		1	–	–	–
Loans and borrowings, current	17, 18	86,302	76,130	–	–
Lease liabilities, current	17, 19	2,809	1,015	–	–
Other non-financial liabilities		7,864	8,141	–	–
Total current liabilities		160,166	120,231	12,115	11,501
Total liabilities		345,766	307,516	12,115	11,501
Total equity and liabilities		471,601	403,528	40,298	45,717

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

Condensed Interim Statements of Changes in Equity
For The Year Ended 31 December 2023

Group:	Total equity $'000	Attributable to parent subtotal $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000	Non-controlling interests $'000
Current year:						
Opening balance at 1 January 2023	96,012	92,571	26,930	67,350	(1,709)	3,441
Changes in equity:						
Total comprehensive income (loss) for the year	38,447	37,417	–	39,066	(1,649)	1,030
Dividends paid (Note 5)	(11,840)	(11,840)	–	(11,840)	–	–
Dividends paid to non-controlling interests in subsidiaries	(1,141)	–	–	–	–	(1,141)
Acquisition of subsidiaries	4,357	–	–	–	–	4,357
Closing balance at 31 December 2023	125,835	118,148	26,930	94,576	(3,358)	7,687
Previous year:						
Opening balance at 1 January 2022	77,406	75,475	26,930	48,612	(67)	1,931
Changes in equity:						
Total comprehensive income (loss) for the year	28,996	27,730	–	29,372	(1,642)	1,266
Dividends paid (Note 5)	(6,458)	(6,458)	–	(6,458)	–	–
Dividends paid to non-controlling interests in subsidiaries	(942)	–	–	–	–	(942)
Capital contribution by non-controlling interest	30	–	–	–	–	30
Acquisition of a non-controlling interest without a change in control	(3,020)	(4,176)	–	(4,176)	–	1,156
Closing balance at 31 December 2022	96,012	92,571	26,930	67,350	(1,709)	3,441

Condensed Interim Statements of Changes in Equity (cont'd)
For The Year Ended 31 December 2023

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2023	34,216	26,930	7,286
Changes in equity:			
Total comprehensive income for the year	5,807	–	5,807
Dividends paid (Note 5)	(11,840)	–	(11,840)
Closing balance at 31 December 2023	28,183	26,930	1,253
Previous year:			
Opening balance at 1 January 2022	30,461	26,930	3,531
Changes in equity:			
Total comprehensive income for the year	10,213	–	10,213
Dividends paid (Note 5)	(6,458)	–	(6,458)
Closing balance at 31 December 2022	34,216	26,930	7,286

Condensed Interim Consolidated Statement of Cash Flows
For The Six Months and Full Year Ended 31 December 2023

	2H2023 $'000	2H2022 $'000	FY2023 $'000	FY2022 $'000
Cash flows from operating activities				
Profit before income tax	28,623	24,407	48,969	37,583
Adjustments for:				
Interest expense on borrowings	4,662	2,530	8,991	4,195
Interest expense on lease liabilities	280	210	500	421
Interest income	(101)	(50)	(180)	(109)
Depreciation of property, plant and equipment	4,427	3,313	7,969	6,638
Depreciation of right-of-use assets	1,699	1,310	3,023	2,517
Depreciation of investment properties	110	290	299	299
Amortisation of intangible assets	649	–	649	–
Gain on disposal of plant and equipment	–	(161)	(1)	(163)
Gain on disposal of quoted securities	–	(91)	–	(91)
Gain on disposal of joint venture	(7,507)	–	(7,507)	–
Fair value gains on other financial assets, net	(2)	(124)	(2)	(124)
Share of profit from an equity-accounted associate	(1,666)	(2,070)	(3,220)	(3,679)
Share of profit from equity-accounted joint ventures	(260)	(262)	(280)	(362)
Net effect of exchange rate changes in consolidating subsidiaries	533	196	500	52
Operating cash flows before changes in working capital	31,447	29,498	59,710	47,177
Inventories	(22,810)	(2,272)	(27,710)	(10,749)
Trade and other receivables	6,858	(16,743)	5,617	(20,280)
Other non-financial assets	1,552	801	(9)	1,083
Provision	(181)	224	(139)	195
Trade and other payables	11,486	8,756	20,908	10,213
Derivative financial assets / liabilities	48	(147)	82	(145)
Other non-financial liabilities	(588)	3,383	(1,994)	3,304
Net cash flows from operations	27,812	23,500	56,465	30,798
Income taxes paid	(3,310)	(1,224)	(7,019)	(2,528)
Net cash flows from operating activities	24,502	22,276	49,446	28,270

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Six Months and Full Year Ended 31 December 2023

	2H2023 $'000	2H2022 $'000	FY2023 $'000	FY2022 $'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note A)	(2,259)	(8,814)	(18,949)	(19,320)
Additions of investment property (Note B)	(4,093)	(9,550)	(4,093)	(9,550)
Upfront payment for right-of-use assets (Note C)	–	(61,095)	–	(61,095)
Proceeds from disposal of plant and equipment	1	295	1	299
Proceeds from disposal of quoted Securities	–	220	–	220
Acquisition of subsidiaries (net of cash acquired)	(124)	–	979	–
Deposit paid for property acquisition	–	713	–	–
Net movements in amount due from an associate	–	–	–	1,381
Net movements in amount due from joint ventures	825	400	666	384
Net movements in amount due from other related parties	(1,298)	–	(2,501)	–
Dividend income from an associate	1,312	357	1,312	1,059
Dividend income from joint ventures	–	–	–	137
Interest income received	46	61	85	79
Net cash flows used in investing activities	(5,590)	(77,413)	(22,500)	(86,406)
Cash flows from financing activities				
Dividends paid to equity owners	(5,382)	(3,229)	(11,840)	(6,458)
Dividends paid to non-controlling interests	–	–	(1,141)	(942)
Net movements in amounts due to a director cum a shareholder	–	56	–	(520)
Net movements in amounts due to a shareholder	–	–	–	(1,108)
Lease liabilities – principal portion paid	(1,015)	(830)	(1,595)	(1,596)
Decrease in trust receipts and bills payable	(2,727)	(492)	(5,059)	7,277
Increase in new borrowings	6,447	71,267	33,705	83,876
Loans and borrowings paid	(17,684)	(4,207)	(25,032)	(10,073)
Interest expense paid	(4,877)	(2,122)	(9,520)	(3,846)
Acquisition of a non-controlling interest without a change in control	–	–	–	(3,020)
Net cash flows used in financing activities	(25,238)	60,443	(20,482)	63,590

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Six Months and Full Year Ended 31 December 2023

	2H2023 $'000	2H2022 $'000	FY2023 $'000	FY2022 $'000
Net (decrease) increase in cash and cash equivalents	(6,326)	5,306	6,464	5,454
Net effect of exchange rate changes on cash and cash equivalents	(34)	(45)	(71)	(20)
Cash and cash equivalents, beginning balance	24,257	6,243	11,504	6,070
Cash and cash equivalents, ending balance	17,897	11,504	17,897	11,504

Note A: Purchase of property, plant and equipment

During the reporting year, the group acquired property, plant and equipment with an aggregate cost of $19,274,000 (2022: $20,610,000). This amount includes construction in progress. $9,270,000 and $325,000 (2022: $11,100,000) additions of property, plant and equipment were financed through bank loan and lease contract respectively.

Note B: Additions of investment property

During the reporting year, $4,093,000 additions of investments property were paid for the land betterment charge.

During the year ended 31 December 2022, the group acquired investment property with an aggregate cost of $9,550,000. $8,013,000 additions of investment property were financed through bank loan.

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

During the reporting year ended 31 December 2022, the group acquired investment property with an aggregate cost of $63,253,000. $51,264,000 additions were financed through bank loan.

Notes to the Financial Statements
31 December 2023

1. General

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

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

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

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

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

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

Basis of presentation

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

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

Critical judgements, assumptions and estimation uncertainties

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

1. General (cont'd)

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

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

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

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

2. Financial information by operating segments

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

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

For management purposes, the reporting entity is organised into four major strategic operating segments: General, Project, Manufacturing 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.

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

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

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

The goods in the Manufacturing segment comprise ceramic tiles manufactured by the plants operating at Kluang in Malaysia. The tiles are distributed to the domestic market as well as the global market.

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.

- Manufacturing segment includes manufacturing of ceramic tiles that cater to the customers' requirements and specifications. The quantities are generally large orders. The customers include property developers, wholesalers and distributors.

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

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

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

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

2B. Profit or loss from continuing operations and reconciliations

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

	General	Project	Manufacturing	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Continuing operations – 2H2023:						
Total revenue by segment	84,709	54,372	6,923	–	–	146,004
Inter-segment sales	(12,501)	(10,432)	(1,492)	–	–	(24,425)
Total revenue	72,208	43,940	5,431	–	–	121,579
Recurring EBITDA	17,331	10,588	769	2,063	266	31,017
Amortisation and depreciation expense	(4,022)	(993)	(1,198)	(672)	–	(6,885)
Finance costs	(2,490)	(128)	(390)	(1,934)	–	(4,942)
Gain on disposal in joint venture	–	–	–	7,507	–	7,507
Share of profit from an equity-accounted associate	–	–	–	1,666	–	1,666
Share of profit from equity- accounted joint ventures	–	–	–	260	–	260
ORBIT	10,819	9,467	(819)	8,890	266	28,623
Income tax expense						(4,635)
Profit, net of tax						23,988

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

2. Financial information by operating segments (cont'd)
2B. Profit or loss from continuing operations and reconciliations (cont'd)

	General $'000	Project $'000	Manufacturing $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – FY2023:						
Total revenue by segment	164,304	102,439	6,923	–	–	273,666
Inter-segment sales	(24,572)	(21,180)	(1,492)	–	–	(47,244)
Total revenue	139,732	81,259	5,431	–	–	226,422
Recurring EBITDA	39,896	16,410	(1,649)	4,182	554	59,393
Amortisation and depreciation expense	(7,660)	(1,540)	(1,206)	(1,534)	–	(11,940)
Finance costs	(5,030)	(200)	(462)	(3,799)	–	(9,491)
Gain on disposal in joint venture	–	–	–	7,507	–	7,507
Share of profit from an equity-accounted associate	–	–	–	3,220	–	3,220
Share of profit from equity-accounted joint ventures	–	–	–	280	–	280
ORBIT	27,206	14,670	(3,317)	9,856	554	48,969
Income tax expense						(8,873)
Profit, net of tax						40,096

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

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

2C. Assets, liabilities and reconciliations

	General	Project	Manufacturing	Others	Group
	$'000	$'000	$'000	$'000	$'000
As at 31 December 2023:					
Segment assets	299,167	66,376	55,854	50,204	471,601
Segment liabilities	236,330	41,913	41,757	15,195	335,195
Deferred tax liabilities					1,768
Income tax payable					8,803
Total liabilities					345,766
As at 31 December 2022:					
Segment assets	291,805	72,078	–	39,645	403,528
Segment liabilities	237,848	48,363	–	13,247	299,458
Deferred tax liabilities					886
Income tax payable					7,172
Total liabilities					307,516

2D. Other material items and reconciliations

For 6 months ended 31 December:	General	Project	Manufacturing	Others	Group
	$'000	$'000	$'000	$'000	$'000
Impairment of assets:					
2023	(533)	605	–	–	72
2022	(35)	199	–	–	164
Expenditure for non-current assets:					
2023	4,708	70	1,899	–	6,677
2022	8,494	300	9,570	–	18,364

For 12 months ended 31 December:	General	Project	Manufacturing	Others	Group
	$'000	$'000	$'000	$'000	$'000
Impairment of assets:					
2023	(577)	734	–	–	157
2022	373	216	–	–	589
Expenditure for non-current assets:					
2023	5,363	173	13,738	4,093	23,367
2022	20,254	336	9,570	–	30,160

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

2E. Geographical information

	Revenue		Non-current assets	
			31 Dec	31 Dec
	FY2023	FY2022	2023	2022
	$'000	$'000	$'000	$'000
Singapore	176,681	164,319	251,280	247,163
Socialist Republic of Vietnam	322	–	20,351	19,423
People's Republic of China	1,066	796	8,174	9,285
Malaysia	33,020	230	19,485	–
Republic of the Union of Myanmar	150	458	210	–
United States of America	7,812	–	–	–
Taiwan	2,429	–	–	–
Cambodia	1,510	2,674	–	–
Japan	687	–	–	–
Australia	519	–	–	–
Hong Kong	492	–	–	–
Thailand	378	–	–	–
Philippines	221	–	–	–
United Arab Emirates	218	–	–	–
Others	917	408	–	–
	226,422	168,885	299,500	275,871

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

2F. Disaggregation of revenue from contracts with customers

	Revenue		Revenue	
	2H2023	2H2022	FY2023	FY2022
	$'000	$'000	$'000	$'000
Goods recognised at point in time	118,461	93,112	218,940	159,667
Services recognised over time	3,118	4,500	7,482	9,218
Total continuing operations	121,579	97,612	226,422	168,885

3. Related party transactions - Group

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

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

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

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

	2H2023	2H2022	FY2023	FY2022
	$'000	$'000	$'000	$'000
Associate:				
Interest income	–	–	–	(14)
Joint ventures:				
Sale of goods	(18)	(818)	(18)	(1,150)
Rental income	–	(210)	–	(421)
Interest income	(27)	(41)	(67)	(82)
Purchases of goods	382	4,032	4,989	9,360
Receiving of services	–	1,492	–	2,206
Directors:				
Sale of goods	–	–	–	(1)
Other related parties:				
Sale of goods	(1,479)	(357)	(2,535)	(518)
Rental income	(124)	(140)	(245)	(202)
Miscellaneous income	–	–	–	(56)
Purchases of goods	17,167	5,193	31,821	9,245
Rental expenses	536	61	857	62
Property management fee	45	23	90	45
Secondment fee	2,808	–	3,322	–
Reimbursement of expenses	394	–	814	–
Purchase of motor vehicles	30	–	30	–
Receiving of services	108	–	108	–

4. Income tax - Group

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

	2H2023	2H2022	FY2023	FY2022
	$'000	$'000	$'000	$'000
Current tax expense:				
Current tax expense	4,518	4,635	8,756	7,041
Over adjustments in respect of prior years	(44)	(29)	(44)	(29)
Subtotal	4,474	4,606	8,712	7,012
Deferred tax expense (income):				
Deferred tax expense (income)	163	(65)	160	(110)
(Over) under adjustments in respect of prior years	(2)	43	1	43
Subtotal	161	(22)	161	(67)
Total income tax expense	4,635	4,584	8,873	6,945

4. Income tax – Group (cont'd)

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

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

	2H2023	2H2022	FY2023	FY2022
	$'000	$'000	$'000	$'000
Profit before income tax	28,623	24,407	48,969	37,583
Less:				
- Share of profit from an equity-accounted associate	(1,666)	(2,070)	(3,220)	(3,679)
- Share of profit from equity-accounted joint ventures	(260)	(262)	(280)	(362)
	26,697	22,075	45,469	33,542
Income tax expense at the above rate	4,539	3,753	7,730	5,702
Effect of different tax rates in different countries	80	(4)	157	7
Expenses not deductible for tax purposes	59	821	1,168	1,344
Tax exemption and rebates	3	–	(139)	(122)
(Over) under adjustments in respect of prior years	(46)	14	(43)	14
Total income tax expense	4,635	4,584	8,873	6,945
Effective income tax rate for the year	17%	21%	20%	21%

5. Dividends on equity shares

	2023	2022
	$'000	$'000
Second interim tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2022	3,229	–
Special interim tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2022	3,229	–
Special interim tax exempt (1-tier) dividends paid of 0.50 cent per share for FY2023	2,153	–
Interim tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2023 (FY2022: 0.75 cent)	3,229	3,229
Final tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2021	–	3,229
Total dividends paid	11,840	6,458

6. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Construction in progress $'000	Motor vehicles $'000	Total $'000
Cost:					
At 1 January 2022	106,922	18,847	–	3,973	129,742
Additions	13,536	6,410	–	664	20,610
Disposals	–	(156)	–	(511)	(667)
Transfer to investment properties (Note 8)	(4,017)	–	–	–	(4,017)
Foreign exchange adjustments	(494)	(100)	–	(5)	(599)
At 31 December 2022	115,947	25,001	–	4,121	145,069
Additions	–	14,747	3,745	782	19,274
Disposals	–	(120)	–	(155)	(275)
Acquisition of subsidiaries	–	2,966	–	541	3,507
Foreign exchange adjustments	(195)	(1,182)	–	(5)	(1,382)
At 31 December 2023	115,752	41,412	3,745	5,284	166,193
Accumulated depreciation:					
At 1 January 2022	22,002	9,699	–	3,429	35,130
Depreciation for the year	4,571	1,734	–	333	6,638
Disposals	–	(135)	–	(396)	(531)
Transfer to investment properties (Note 8)	(50)	–	–	–	(50)
Foreign exchange adjustments	(156)	(43)	–	(5)	(204)
At 31 December 2022	26,367	11,255	–	3,361	40,983
Depreciation for the year	4,695	2,916	–	359	7,970
Disposals	–	(120)	–	(156)	(276)
Acquisition of subsidiaries	–	2,148	–	374	2,522
Foreign exchange adjustments	(69)	(63)	–	(2)	(134)
At 31 December 2023	30,993	16,136	–	3,936	51,065
Carrying value:					
At 1 January 2022	84,920	9,148	–	544	94,612
At 31 December 2022	89,580	13,746	–	760	104,086
At 31 December 2023	84,759	25,276	3,745	1,348	115,128

As at the reporting year ended 31 December 2023, the group's leasehold properties with carrying amount of $81,688,000 (2022: $86,184,000) are mortgaged for bank facilities (Note 18).

Certain motor vehicles and office equipment are under lease liabilities (Note 19).

7. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost:			
At 1 January 2022	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
Additions	–	5,246	5,246
Foreign exchange adjustments	(179)	(72)	(251)
At 31 December 2023	146,690	9,135	155,825
Accumulated depreciation:			
At 1 January 2022	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 1 January 2023	15,827	2,863	18,690
Depreciation for the year	1,341	1,682	3,023
Foreign exchange adjustments	(45)	(11)	(56)
At 31 December 2023	17,123	4,534	21,657
Carrying value:			
At 1 January 2022	71,328	423	71,751
At 31 December 2022	131,042	1,098	132,140
At 31 December 2023	129,567	4,601	134,168

As at the reporting year ended 31 December 2023, the group's land use rights with carrying amount of $113,635,000 (2022: $114,853,000) are mortgaged for bank facilities (Note 18). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

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

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

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

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

8. Investment properties

Group	Freehold land $'000	Freehold property $'000	Leasehold properties $'000	Total $'000
Cost:				
At 1 January 2022	3,906	370	–	4,276
Additions	–	–	9,550	9,550
Transfer from property, plant and equipment (Note 6)	–	–	4,017	4,017
At 31 December 2022	3,906	370	13,567	17,843
Additions	–	–	4,093	4,093
At 31 December 2023	3,906	370	17,660	21,936
Accumulated depreciation:				
At 1 January 2022	–	104	–	104
Depreciation for the year	–	19	280	299
Transfer from property, plant and equipment (Note 6)	–	–	50	50
At 31 December 2022	–	123	330	453
Depreciation for the year	–	19	280	299
At 31 December 2023	–	142	610	752
Carrying value:				
At 1 January 2022	3,906	266	–	4,172
At 31 December 2022	3,906	247	13,237	17,390
At 31 December 2023	3,906	228	17,050	21,184

	Group 2023 $'000	Group 2022 $'000
Fair value at end of the reporting year for disclosure purposes only	18,684	17,850
Rental income from investment properties	1,120	833
Direct operating expenses (including repairs and maintenance) arising from investment properties	(503)	(338)

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

The investment properties are mortgaged as security for the bank facilities (Note 18).

9. Intangible assets

Group	Goodwill $'000	Customer relationship $'000	Total $'000
Cost:			
At 1 January 2022 and 31 December 2022	–	–	–
Arising from acquisition of a subsidiary	5,233	3,892	9,125
At 31 December 2023	5,233	3,892	9,125
Accumulated amortisation:			
At 1 January 2022 and 31 December 2022	–	–	–
Depreciation for the year	–	649	649
At 31 December 2023	–	649	649
Carrying value:			
At 1 January 2022	–	–	–
At 31 December 2022	–	–	–
At 31 December 2023	5,233	3,243	8,476

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each subsidiary follows:

	Group 2023 $'000	Group 2022 $'000
Name of subsidiary:		
Melmer Stoneworks Pte. Ltd.	5,233	–
Net book value at end of the year	5,233	–

The goodwill for each of the cash generating unit was tested for impairment at the end of the reporting year. No impairment allowance was recognised because the carrying amount of each of the cash–generating units were lower than their estimated recoverable amounts.

The value in use for each cash generating unit was measured by management. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the cash–generating units are consistent with those used for the measurement last performed, where relevant, and are set out as follows:

CGU – Melmer Stoneworks Pte. Ltd.
Valuation technique and Unobservable inputs
Discounted cash flow method:

	2023	2022
1. Estimated discount rates using post–tax rates that reflect current market assessments at the risks specific to the CGUs	12.1%	–
2. Cash flow forecasts derived from the most recent financial budgets and growth rates approved by management	5 years 5.0%	–
3. Terminal growth rates not exceeding the average long-term growth rate for the relevant markets	2.0%	–

9. Intangible assets (cont'd)

Actual outcomes could vary from these estimates. If the revised estimated gross margin at the end of the reporting year had been 5% less favourable than management's estimates at the end of the reporting year, the estimated recoverable amount would still be higher than the carrying amount of goodwill. If the revised estimated post-tax discount rate applied to the discounted cash flows had been 1 percent point less favourable than management's estimates, the estimated recoverable amount would still be higher than the carrying amount of goodwill.

10. Investment in an associate

	Group	
	2023	2022
	$'000	$'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends received	17,532	16,604
Carrying value	20,351	19,423
Movements in carrying amount:		
At beginning of the year	19,423	17,507
Share of profit for the year	3,220	3,679
Dividends	(1,312)	(1,059)
Foreign exchange adjustments	(980)	(704)
At end of the year	20,351	19,423

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	
	2023	2022
	%	%
Viet Ceramics International Joint Stock Company Socialist Republic of Vietnam Importer and dealer of building materials	49	49

11. Investments in joint ventures

	Group	
	2023	2022
	$'000	$'000
Unquoted equity shares at cost	5	3,195
Share of post-acquisition profit (losses), net of dividends received	188	(363)
Carrying amount	193	2,832
Movements in carrying amount:		
At beginning of the year	2,832	2,805
Share of profits for the year	280	362
Transfer to subsidiaries (#) (*)	(2,154)	–
Dividends	–	(137)
Foreign exchange adjustments	(765)	(198)
At end of the year	193	2,832
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	–	1,641

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	
	2023	2022
	%	%
Melmer Stoneworks Pte. Ltd. (#) Singapore Cutting, shaping and finishing of stone	–	50
Guangdong ITA Element Building Materials Co., Limited (*) People's Republic of China Production and distribution of tiles	–	50
Hafary Myanmar Investment Pte. Ltd. Singapore Investment holding	33	33

(#) Prior to 2023, Melmer Stoneworks Pte Ltd ("MSPL") is a joint venture of the Group and the Group owned 50% effective interest in MSPL. On 1 January 2023, without changes in effective interest, the Group has obtained the control over MSPL through board representation, power and rights, as such MSPL is consolidated into the Group with effective from 1 January 2023. Accordingly, no share of profit was accounted since 1 January 2023.

(*) Prior to 26 October 2023, Guangdong ITA Element Building Materials Co., Limited ("ITA") is a joint venture of the Group and the Group owned 50% effective interest in ITA. On 26 October 2023, the Group has acquired additional 15% effective interest from the non-controlling interests in ITA and obtained the control over ITA, as such ITA is consolidated into the Group with effective from 26 October 2023. Accordingly, no share of profit was accounted since 26 October 2023.

11. Investments in joint ventures (cont'd)

The group jointly controls Hafary Myanmar Investment Pte. Ltd. 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.

12. Inventories

	Group	
	2023	2022
	$'000	$'000
Goods held for resale	90,258	56,998
Inventories are stated after allowance. Movements in allowance:		
At beginning of the year	18,571	18,398
Charged to profit or loss included in impairment losses – (reversal) / additions	(814)	173
Acquisition of subsidiaries	451	–
Foreign exchange adjustments	(10)	–
At end of the year	18,198	18,571

There are no inventories pledged as security for liabilities.

13. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	45,127	44,783	–	–
Less: Allowance for impairment	(1,928)	(2,070)	–	–
Subsidiary	–	–	3,308	2,754
Joint venture	38	873	–	–
Other related parties	951	356	–	–
Director	–	7	–	–
Retention receivables on contracts	2,882	2,609	–	–
Subtotal	47,070	46,558	3,308	2,754
Other receivables:				
Outside parties	4,289	523	6	230
Subsidiaries	–	–	26,995	32,653
Joint ventures [#a]	1,575	4,140	–	–
Less: Allowance for impairment	(483)	(483)	–	–
Refundable deposits	3,890	2,558	–	–
Subtotal	9,271	6,738	27,001	32,883
Total trade and other receivables	56,341	53,296	30,309	35,637

13. Trade and other receivables (cont'd)

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Movements in above allowance on trade receivables:				
At beginning of the year	2,070	2,149	–	–
Additions – individually impaired	797	184	–	–
(Reversal) additions – collectively impaired	(39)	106	–	–
Bad debts written-off	(900)	(369)	–	–
At end of the year	1,928	2,070	–	–
Movements in above allowance on other receivables:				
At beginning of the year	483	350	–	–
Additions – individually impaired	214	133	–	–
At end of the year	697	483	–	–

[#a] As at 31 December 2022, included in other receivables is a loan to a joint venture amounting to $1,834,000 which is unsecured, bears interest at 4.0% per annum and repayable on demand. On 26 October 2023, the group has acquired additional 15% effective interest from the non-controlling interests in ITA Element and obtained the control over ITA Element, as such ITA Element is consolidated into the group with effective from 26 October 2023. Accordingly, the loan to ITA Element is eliminated the group level.

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

(i) Concentration of credit risk

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

(ii) Credit risk exposure

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

- 96% (2022: 96%) of the group's trade receivables from Singapore.
- 4% (2022: 4%) 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 (2022: 60 days). But some customers take a longer period to settle the amounts.

13. Trade and other receivables (cont'd)

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $1,689,000 (2022: $1,791,000) of the group that are determined to be impaired at the end of the reporting year. These are not secured.

Expected credit losses

The expected credit losses ("ECL") on the above trade receivables are based on the simplified approach to measuring ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 12 months to 18 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The loss allowance of $239,000 (2022: $279,000) for the group is included in the allowance for impairment of receivables amounting to $1,928,000 as at 31 December 2023 (2022: $2,070,000). There are no collateral held as security and other credit enhancements for the trade receivables held by the group.

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

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

14. Share capital

	Number of shares issued	Share capital
	'000	$'000
Ordinary shares of no par value:		
Balance at 31 December 2022 and 2023	430,550	26,930

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

There was no movement in the issued and paid-up capital of the company since 31 December 2022.

There were no outstanding convertibles as at 31 December 2023 (2022: Nil).

The company did not hold any treasury shares as at 31 December 2023 (2022: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the year ended 31 December 2023.

15. 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.

16. Net asset value per share

	Group		Company	
	2023	2022	2023	2022
Net asset value per share based on existing issued share capital as at the respective dates (cents)	27.4	21.5	6.5	7.9

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

	Secured		Unsecured	
	2023	2022	2023	20212
	$'000	$'000	$'000	$'000
Repayable in one year or less, or on demand:				
Bank borrowings (Note 18)	38,239	35,623	25,851	13,238
Trust receipts and bills payable (Note 18)	22,212	27,269	–	–
Lease liabilities (Note 19)	143	–	2,666	1,015
Subtotal	60,594	62,892	28,517	14,253
Repayable after one year:				
Bank borrowings (Note 18)	158,321	169,700	9,878	3,316
Lease liabilities (Note 19)	229	–	15,404	13,383
Subtotal	158,550	169,700	25,282	16,699
Total	219,144	232,592	53,799	30,952

18. Loans and borrowings

	Group	
	2023	2022
	$'000	$'000
Non-current:		
With floating interest rates:		
Bank loan P (secured) (Note 18I)	11,324	11,664
Bank loan U (secured) (Note 18M)	59,100	61,600
Bank loan Y (secured) (Note 18O)	7,850	–
Subtotal	78,274	73,264
With fixed interest rates:		
Bank loan F (secured) (Note 18C)	7,527	8,594
Bank loan H (secured) (Note 18E)	35,275	38,219
Bank loan I (secured) (Note 18F)	6,081	7,297
Bank loan J (secured) (Note 18F)	5,473	6,567
Bank loan K (secured) (Note 18G)	1,976	2,148
Bank loan M (unsecured) (Note 18H)	388	1,153
Bank loan N (unsecured) (Note 18H)	430	937
Bank loan O (unsecured) (Note 18H)	118	244
Bank loan Q (unsecured) (Note 18H)	608	982
Bank loan R (secured) (Note 18J)	24,774	25,909
Bank loan S (secured) (Note 18K)	976	1,455
Bank loan T (secured) (Note 18L)	5,815	6,247
Bank loan W (unsecured) (Note 18H)	484	–
Subtotal	89,925	99,752
Non-current, total	168,199	173,016
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 18A)	8,500	5,500
Bank loan B (secured) (Note 18A)	8,000	8,000
Bank loan C (secured) (Note 18A)	1,000	3,000
Bank loan D (unsecured) (Note 18B)	8,000	9,000
Bank loan E (unsecured) (Note 18B)	3,500	2,000
Bank loan G (secured) (Note 18D)	3,750	4,500
Bank loan L (secured) (Note 18A)	5,500	5,500
Bank loan P (secured) (Note 18I)	449	596
Bank loan U (secured) (Note 18M)	2,500	–
Bank loan V (unsecured) (Note 18N)	6,000	500
Bank loan X (unsecured) (Note 18N)	1,436	–
Bank loan Y (unsecured) (Note 18O)	1,340	–
Bank loan Z (unsecured) (Note 18N)	2,872	–
Bank loan AA (unsecured) (Note 18P)	297	–
Trust receipts and bills payable (Note 18Q)	22,212	27,269
Subtotal	75,356	65,865

18. Loans and borrowings (cont'd)

	Group 2023 $'000	Group 2022 $'000
With fixed interest rates:		
Bank loan F (secured) (Note 18C)	1,066	1,066
Bank loan H (secured) (Note 18E)	2,945	2,945
Bank loan I (secured) (Note 18F)	1,216	1,216
Bank loan J (secured) (Note 18F)	1,095	1,095
Bank loan K (secured) (Note 18G)	172	172
Bank loan M (unsecured) (Note 18H)	765	750
Bank loan N (unsecured) (Note 18H)	507	497
Bank loan O (unsecured) (Note 18H)	126	124
Bank loan Q (unsecured) (Note 18H)	374	367
Bank loan R (secured) (Note 18J)	1,135	1,135
Bank loan S (secured) (Note 18K)	479	472
Bank loan T (secured) (Note 18L)	432	426
Bank loan W (unsecured) (Note 18H)	634	–
Subtotal	10,946	10,265
Current, total	86,302	76,130
Total	254,501	249,146
The non-current portion is repayable as follows:		
Due within two to five years	108,310	105,594
After five years	59,889	67,422
Total non-current portion	168,199	173,016

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

	Group 2023 %	Group 2022 %
Bank loan F (secured)	1.58	1.58 and 1.95
Bank loan H (secured)	1.55	1.55 and 2.25
Bank loan I (secured)	1.58	1.58 and 1.95
Bank loan J (secured)	1.58	1.58 and 1.95
Bank loan K (secured)	1.58	1.58 and 2.08
Bank loan M (unsecured)	2.00	2.00
Bank loan N (unsecured)	2.00	2.00
Bank loan O (unsecured)	2.00	2.00
Bank loan Q (unsecured)	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	1.50
Bank loan W (unsecured)	2.00	–

18. Loans and borrowings (cont'd)

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

	Group	
	2023	2022
	%	%
Bank loan A (secured)	4.69 to 5.17	1.60 to 4.33
Bank loan B (secured)	4.69 to 5.08	1.60 to 4.33
Bank loan C (secured)	5.33 to 5.94	1.86 to 5.66
Bank loan D (unsecured)	4.82 to 5.72	1.87 to 5.59
Bank loan E (unsecured)	5.20 to 5.50	1.80 to 5.55
Bank loan G (secured)	4.69 to 5.08	1.60 to 4.33
Bank loan L (secured)	5.33 to 5.94	1.81 to 5.76
Bank loan P (secured)	1.30	1.30
Bank loan U (secured)	3.58 to 4.73	3.58 to 4.24
Bank loan V (unsecured)	3.71 to 5.07	3.83 to 4.49
Bank loan X (unsecured)	3.41 to 4.98	–
Bank loan Y (unsecured)	5.10 to 5.14	–
Bank loan Z (unsecured)	4.97 to 4.98	–
Bank loan AA (unsecured)	3.75	–
Trust receipts and bills payable	1.20 to 5.95	1.00 to 5.34

18A. Bank loans A, B, C and L (secured)

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

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

18B. Bank loans D and E (unsecured)

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.

18C. Bank loan F (secured)

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

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

18. Loans and borrowings (cont'd)

18D. Bank loan G (secured)

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

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

18E. Bank loan H (secured)

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

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

18F. Bank loans I and J (secured)

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

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

18G. Bank loan K (secured)

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

(i) Repayable by equal monthly instalments over 20 years from July 2016.
(ii) Legal mortgage on an investment property (Note 8).
(iii) Assignment of rental proceeds.
(iv) Corporate guarantee from the company.
(v) Personal guarantee from a director.
(vi) Need to comply with certain financial covenants.

18H. Bank loans M, N, O, Q and W (unsecured)

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.

18. Loans and borrowings (cont'd)

18I. Bank loan P (secured)

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

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

18J. 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 property (Note 6).
(iv) Corporate guarantee from a subsidiary.
(v) Need to comply with certain financial covenants.

18K. Bank loan S (secured)

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

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

18L. Bank loan T (secured)

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

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

18. Loans and borrowings (cont'd)

18M. 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 6), leasehold land (Note 7) and investment property (Note 8).
(iv) Corporate guarantee from the company and a subsidiary.
(v) Need to comply with certain financial covenants.

18N. Bank loans V, X and Z (unsecured)

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.

18O. Bank loan Y (unsecured)

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

(i) Repayable by equal monthly instalments over 5 years, commencing June 2024.
(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) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

18P. Bank loan AA (unsecured)

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

(i) Repayable by one lump sum within 12 months from draw down date.

18Q. Trust receipts and bills payable

These are repayable within 150 to 180 days (2022: 150 to 180 days) and are guaranteed by the company.

19. Lease liabilities

	Group	
	2023	2022
	$'000	$'000
Lease liabilities, current	2,809	1,015
Lease liabilities, non-current	15,633	13,383
Total	18,442	14,398

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

	Group	
	2023	2022
	$'000	$'000
Total lease liabilities at beginning of reporting year	14,398	13,417
Additions	5,280	2,158
Accretion of interest	500	421
Lease payments – principal portion paid	(1,595)	(1,596)
Interest paid	(8)	(2)
Foreign exchange adjustments	(133)	–
Total lease liabilities at end of reporting year	18,442	14,398

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

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

	Group	
	2023	2022
	$'000	$'000
Carrying amounts of motor vehicles and office equipment under lease liabilities	433	–

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

During the reporting year, expense of the group relating to short-term leases included in other expenses was $308,000 (2022: $609,000).

20. Provision

	Group 2023 $'000	Group 2022 $'000
Provision for rebates	980	1,119
Movements in above provision:		
Balance at beginning of the year	1,119	924
Additions	980	1,119
Used	(1,119)	(924)
Balance at end of the year	980	1,119

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (2022: 60 days).

21. Acquisition of subsidiaries

On 1 January 2023, the subsidiary of the Group, Hafary Pte Ltd entered into a shareholder agreement with the other individual shareholder. The Group has assessed that there is control over Melmer Stoneworks Pte. Ltd. based on the power that they can exercise given their shareholdings, board representation and rights.

	Fair value at date of acquisition $'000
Group:	
Plant and equipment	325
Right-of-use asset	436
Customer relationships	3,891
Inventories	2,864
Trade and other receivables	3,057
Other non-financial assets	276
Cash and cash equivalents	1,103
Other financial liabilities, non-current	(1,118)
Lease liabilities, non-current	(259)
Income tax payable	(268)
Deferred tax liabilities	(932)
Trade and other payables	(1,405)
Other financial liabilities, current	(622)
Lease liabilities, current	(325)
Other non-financial liabilities	(132)
Net assets acquired	6,891
Less: Non-controlling interest	(3,445)
Add: Goodwill	5,232
Purchase consideration	8,678
Reconciliation of purchase consideration:	
Gain on remeasurement to fair value	7,507
Transfer from investment	1,171
	8,678

21. Acquisition of subsidiaries (cont'd)

The Group acquired additional 15% of the existing shares in Guangdong ITA Element Building Materials Co., Limited in October 2023 and from the date of the group gain control. As at the end of the reporting year, management completed the initial acquisition accounting on a preliminary basis. The acquisition accounting will be finalised within twelve months and the provisional amounts recorded in this reporting year could change. This requires judgement given the nature of the subsidiary. Consideration has to be given in determining the assumptions that underlie the initial acquisition accounting such as the fair value of assets acquired, liabilities and contingent liabilities assumed. These are initially estimated by management by taking into consideration the available information at the reporting date.

22. 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	
	2023	2022
	$'000	$'000
Commitments to purchase plant and equipment	–	78
Contractual obligations for construction works	6,527	10,154
Total	6,527	10,232

23. 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	
	2023	2022
	$'000	$'000
Financial assets:		
Financial assets at amortised cost	74,238	64,800
Financial assets at fair value through profit or loss	374	335
Derivatives financial instruments at fair value	–	81
	74,612	65,216
Financial liabilities:		
Financial liabilities at amortised cost	326,350	290,198
Derivatives financial instruments at fair value	1	–
	326,351	290,198

24. Changes and adoption of financial reporting standards

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

25. Events after the end of the reporting year

On 18 January 2024, the Company's subsidiary, Hafary Pte Ltd had completed the acquisition of World Furnishing Hub Pte. Ltd ("WFH"). With the completion of the acquisition, now holds an 100.0% shareholding in the issued share capital of WFH.

Other Information Required by Listing Rule Appendix 7.2
31 December 2023

1. Review

The condensed interim consolidated statements of financial position of Hafary Holdings Limited (the "company") and its subsidiaries (the "group") as at 31 December 2023 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the reporting period then ended and certain explanatory notes have not been audited or reviewed.

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

Revenue

For 2H2023, the group registered a revenue of S$121.6 million compared to S$97.6 million during 2H2022. For FY2023, the group registered a revenue of S$226.4 million compared to S$168.9 million during FY2022.

The revenue consists of below segments:

General segment
For 6 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S$9.6 million or 15.3% from S$62.6 million during 2H2022 to S$72.2 million during 2H2023. For 12 months ended, revenue from the general segment increased by S$30.5 million or 27.9% from S$109.2 million during FY2022 to S$139.7 million during FY2023. 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 increase in revenue is also as the result of business expansion into the general segment in Malaysia.

Project segment
For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$8.9 million or 25.4% from S$35.0 million during 2H2022 to S$43.9 million during 2H2023. For 12 months ended, revenue from the project segment increased by S$21.6 million or 36.2% from S$59.7 million during FY2022 to S$81.3 million during FY2023. The increase in revenue was mainly due contributed by the business expansion into the project segment in Malaysia.

Manufacturing segment
Entering upstream into the manufacturing segment is the core business strategic of Hafary Group to continue to deliver values to the shareholders. At the end of June 2023, the manufacturing plant located at Kluang Malaysia has started to produce the ceramic tiles products for distribution mainly to the domestic market in Malaysia. During 2H2023, total revenue from manufacturing segment is totaling S$5.4 million.

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

Interest Income

For FY2023, interest income derived from the short-term deposits placed with the banks and 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. On 26 October 2023, the Group has acquired additional 15% effective interest from the non-controlling interests in ITA Element and obtained the control over ITA Element, as such ITA Element is consolidated into the Group with effective from 26 October 2023. Accordingly, the interest income from ITA Element is eliminated the Group level from 26 October 2023 thereafter.

For FY2022, interest income mainly derived from a loan of US$1.2 million (equivalent to approximately S$1.6 million) to ITA Element, to support their business expansion in China.

Other Income and Gains

For 6 months ended, other income and gains increased by S$6.9 million or 191.2% from S$3.6 million during 2H2022 to S$10.4 million during 2H2023. For 12 months ended, other income and gains increased by S$6.4 million or 15.6% from S$7.0 million during FY2022 to S$13.4 million during FY2023.

For FY2023, other income and gains mainly comprised of gain on disposal of joint venture of S$7.5 million, rental income of S$5.0 million, sales of solar energy of S$0.3 million, government grants of S$0.1 million and compensation received of S$0.1 million.

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 adjustment gains of S$0.2 million and gain on disposal of plant and equipment of $0.2 million.

The increase in other income and gains mainly contributed by the gain on disposal of joint venture of S$7.5 million. The increase is partially offset by the decrease in foreign exchange adjustment gains of S$0.2 million, gains on disposal of plant and equipment of S$0.2 million and government grants of S$0.3 million.

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

Other Losses

For 2H2023 and FY2023, other losses mainly comprised of foreign exchange adjustment losses.

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

Cost of Sales

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

For 6 months ended, cost of sales increased by S$15.4 million or 30.2% from S$51.0 million during 2H2022 to S$66.4 million during 2H2023. For 12 months ended, cost of sales increased by S$32.2 million or 35.8% from S$90.0 million during FY2022 to S$122.3 million during FY2023. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin (based on revenue from sale of goods and cost of sales, without taking into account labour costs and overheads) of 45.4% for 2H2023 and 46.0% for FY2023 has slightly decreased as compared to 47.8% for 2H2022 and 46.7% for FY2022.

Employee Benefits Expense

For 6 months ended, employee benefits expenses increased by S$4.7 million or 35.8% from S$13.4 million during 2H2022 to S$18.2 million during 2H2023. For 12 months ended, employee benefits expenses increased by S$9.4 million or 38.2% from S$24.6 million during FY2022 to S$34.0 million during FY2023. The increase is mainly due to the increase in employees from 347 as at 31 December 2022 to 853 as at 31 December 2023 and higher staff commission due to higher sales collection as compared to FY2022. The increase is also due to the business expansion in Malaysia and led to increase in manpower to support the business operation in Malaysia.

Amortisation and Depreciation Expense

For 6 months ended, amortisation and depreciation expenses increased by S$2.0 million or 40.1% from S$4.9 million during 2H2022 to S$6.9 million during 2H2023. For 12 months ended, amortisation and depreciation expenses increased by S$2.5 million or 26.3% from S$9.5 million during FY2022 to S$11.9 million during FY2023. The increase is mainly due to the depreciation charge arising from the corresponding property, plant and equipment in the manufacturing plant in Malaysia 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, substantial 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.

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

Impairment Losses (cont'd)

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

For 6 months ended, impairment losses mainly comprises the additions allowance on trade receivables of S$1.2 million and reversal of impairment of inventories of S$0.8 million. For 12 months ended, impairment losses mainly comprises the additions allowance on trade receivables of S$1.0 million and reversal of impairment of inventories of S$0.8 million. The additions allowance on trade receivables are based on individual accounts of the group that are determined to be impaired at the end of the reporting year.

Finance Costs

For 6 months ended, finance costs increased by S$2.2 million or 80.4% from S$2.7 million during 2H2022 to S$4.9 million during 2H2023. For 12 months ended, finance costs increased by S$4.9 million or 105.6% from S$4.6 million during FY2022 to S$9.5 million during FY2023. The increase mainly due to term loan interest incurred on the property term loans and the term loans for working capital use.

Other Expenses

For 6 months ended, other expenses increased by S$1.8 million or 26.5% from S$7.0 million during 2H2022 to S$8.8 million during 2H2023. For 12 months ended, other expenses increased by S$3.2 million or 24.5% from S$13.1 million during FY2022 to S$16.3 million during FY2023. The increase mainly due to the increase in:

- travelling expenses of S$0.2 million, mainly incurred for business trips to overseas;
- entertainment of S$0.5 million, mainly consists of trip sponsorship for customers to overseas for business purposes;
- commission payable to external parties of S$0.2 million and advertisement & promotion of S$0.4 million in relation to the increase of sales;
- property tax of S$0.1 million, mainly arising from the property at 161 Lavender acquired in Nov 2022;
- stamp fee of S$0.2 million, mainly incurred on the acceptance of new banking facilities in relation to Malaysia operations;
- insurance of S$0.1 million and cleaning expenses of S$0.1 million mainly incurred for the manufacturing plant and headcount in Malaysia operations; and
- upkeep of forklift & motor vehicle of S$0.2 million, repair & maintenance of S$0.2 million and hire of vehicle & machinery of S$0.2 million, due to high sales volume and high demand of goods delivery to customer site which lead to high upkeep and hire of vehicle.

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

Share of Profit from an Equity-Accounted Associate

For 6 months ended, share of profit from associate amounted to S$1.7 million (2H2022: share of profit of S$2.1 million). For 12 months ended, share of profit from associate amounted to S$3.2 million (FY2022: share of profit of S$3.7 million). The decrease was mainly due to the weaker domestic demand in turn led to a slowdown in economic growth in the local market.

Share of Profits from Equity-Accounted Joint Ventures

For 6 months ended, share of profit from joint ventures amounted to S$0.3 million (2H2022: share of profits of S$0.3 million). For 12 months ended, share of profit from joint ventures amounted to S$0.3 million (FY2022: share of profits of S$0.4 million).

Prior to FY2023, MSPL is a joint venture of the Group and the Group owned 50% effective interest in MSPL. On 1 January 2023, without changes in effective interest, the Group has obtained the control over MSPL, as such MSPL is consolidated into the Group with effective from 1 January 2023.

Prior to FY2023, ITA is a joint venture of the Group and the Group owned 50% effective interest in ITA. On 26 October 2023, the Group has acquired additional 15% effective interest from the non-controlling interests in ITA and obtained the control over ITA, as such ITA is consolidated into the Group with effective from 26 October 2023.

Profit Before Income Tax

For 6 months ended, the group has generated a profit before tax of S$28.6 million as compared to a profit before tax of S$24.4 million in 2H2022.

For 12 months ended, the group has generated a profit before tax of S$49.0 million as compared to a profit before tax of S$37.6 million in FY2022.

For 6 months ended, excluding share of profit from associate and share of profits from joint ventures amounting to S$1.9 million for 2H2023 (2H2022: S$2.3 million), profit before income tax incurred from recurring activities was S$26.7 million for 2H2023 (2H2022: S$22.1 million).

For 12 months ended, excluding share of profit from associate and share of profits from joint ventures amounting to S$3.5 million for FY2023 (FY2022: S$4.0 million), profit before income tax incurred from recurring activities was S$45.5 million for FY2023 (FY2022: S$33.6 million).

With reference to the above revenue section, the better business performance for FY2023 was partly due to the various positive market factors which include active resale market and robust demand from home buyers, the entering upstream to manufacturing segment, the business venture into Malaysia domestic market and the consolidation of the financial performance of MSPL and ITA during the year.

Other Comprehensive Income (Loss)

This pertains to foreign exchange difference on translating foreign operations.

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

Income Tax Expense

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. For 6 months ended, income tax expense amounted to S$4.6 million (2H2022: S$4.6 million). For 12 months ended, income tax expense amounted to S$8.9 million (FY2022: S$6.9 million). The increase in income tax expense was due to higher taxable profit during the year.

Non-Current Assets

Non-current assets increased by S$23.7 million or 8.6% from S$276.2 million as at 31 December 2022 to S$299.9 million as at 31 December 2023.

Property, plant and equipment increased by S$11.0 million or 10.6% from S$104.1 million as at 31 December 2022 to S$115.1 million as at 31 December 2023. The increase was mainly due to addition of property, plant and equipment amounting to S$19.3 million during FY2023. The increase is partially offset by the depreciation expense amounting to S$8.0 million and foreign exchange adjustments of S$1.2 million during the year. The acquisition of MSPL and ITA also contributed a total of S$1.0 million to the total property, plant and equipment during FY2023.

The addition of property, plant and equipment was mainly consist of:

a) Purchase of plant and equipment amounting to S$12.8 million for setting up manufacturing plant by its subsidiary in Kluang, Malaysia; and
b) The addition & alteration works ("A&A works") at 161 Lavender Street amounting to S$3.5 million, the A&A works are construction in progress as at 31 December 2023.

The right-of-use assets ("ROU assets") comprised of leasehold lands (land use rights relating to group's leasehold properties in Singapore and China) and leases of premises. ROU assets increased by S$2.1 million or 1.5% from S$132.1 million as at 31 December 2022 to S$134.2 million as at 31 December 2023. The increase was mainly due to the capitalisation of ROU assets in relation to the leases of S$5.2 million during the year and partially offset by depreciation of S$3.0 million. The capitalisation of ROU assets is mainly consists of the capitalisation of the lease of manufacturing plant in Kluang, Malaysia amounting to S$2.9 million.

Investment properties increased by S$3.8 million or 21.8% from S$17.4 million as at 31 December 2022 to S$21.2 million as at 31 December 2023. The increase was mainly due to capitalisation of land betterment charge of S$4.1 million pertains to 161 Lavender Street. The increase is partially offset by the depreciation expense amounting to S$0.3 million.

Intangible assets comprise of goodwill and customer relationship which arising from consolidation of MSPL. Prior to FY2023, MSPL is a joint venture of the Group and the Group owned 50% effective interest in MSPL. On 1 January 2023, without changes in effective interest, the Group has obtained the control over MSPL, as such MSPL is consolidated into the Group with effective from 1 January 2023.

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

Non-Current Assets (cont'd)

Investment in associate increased by S$0.9 million or 4.8% from S$19.4 million as at 31 December 2022 to S$20.4 million as at 31 December 2023. The increase was mainly due to share of profit amounting to S$3.2 million from VCI and partially offset by distribution of dividend amounting to S$1.3 million and exchange differences on translating associate with foreign operation amounting to S$1.0 million.

Investment in joint ventures decreased by S$2.6 million or 32.1% from S$2.8 million as at 31 December 2022 to S$0.2 million as at 31 December 2023. The decrease was mainly due to MSPL and ITA were consolidated as subsidiaries amounting to S$2.2 million and exchange differences on translating joint ventures with foreign operation amounting to S$0.8 million. The decrease is partially offset by share of profits amounting to S$0.3 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$44.4 million or 34.9% from S$127.3 million as at 31 December 2022 to S$171.7 million as at 31 December 2023.

The increase was mainly attributable to the increase in inventories of S$33.3 million, trade and other receivables of S$3.0 million, other non-financial assets of S$1.8 million and cash and cash equivalents of S$6.4 million.

Inventories increased by S$33.3 million or 58.4% from S$57.0 million as at 31 December 2022 to S$90.3 million as at 31 December 2023. The increase was mainly due to the new business expansion in Malaysia and to cater the demand in the domestic market as well as overseas market.

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

Inventory turnover day as at 31 December 2023 is 249 days compared to 238 days as at 31 December 2022. Trade receivables turnover day as at 31 December 2023 is 75 days compared to 90 days as at 31 December 2022.

Non-Current Liabilities

Non-current liabilities decreased by S$1.7 million or 0.9% from S$187.3 million as at 31 December 2022 to S$185.6 million as at 31 December 2023. The decrease was mainly due to decrease in bank loans of S$4.8 million. The decrease is partially offset by the increase in lease liabilities of S$2.3 million and deferred tax liabilities of S$0.9 million. As of 31 December 2023, the group's property loans borrowing rates varies between 1.3% to 5.9%.

Current Liabilities

Current liabilities increased by S$39.9 million or 33.2% from S$120.2 million as at 31 December 2022 to S$160.2 million as at 31 December 2023.

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

The increase was mainly attributable to the increase in loans and borrowings of S$10.2 million, income tax payable of S$1.6 million, trade and other payables of S$26.7 million and lease liabilities of S$1.8 million. The increase is partially offset by the decrease in provision of S$0.1 million and other non-financial liabilities of S$0.3 million.

The provision is pertaining to provision of rebate to customers.

The increase in trade and other payables is in line with the increase in cost of sales, mainly contributed by the business expansion in Malaysia.

The increase in loans and borrowings was mainly due to increase in short-term loans by S$19.1 million. The increase is partially offset by the repayment of short-term loan amounting to S$3.9 million and decrease in trust receipts and bill payables by S$5.0 million.

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

Total amount of trade payables and trust receipts and bills payable to banks was S$50.1 million (31 December 2022: S$38.0 million). The turnover of the aforesaid items (based on cost of sales) is 150 days as at 31 December 2023 compared to 174 days as at 31 December 2022.

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

Cash Flows Review

2H2023

Net cash flows from operating activities was S$24.5 million was mainly attributable by operating cash flows before working capital changes of S$31.4 million, net cash flows used in working capital of S$3.6 million and income tax paid of S$3.3 million. The net cash flows used in working capital of S$3.6 million was mainly attributable by the increase in inventories of S$22.8 million and decrease in provision of S$0.2 million and other non-financial liabilities of S$0.6 million. This was partially offset by the decrease in trade and other receivables of S$6.9 million and other non-financial assets of S$1.6 million and increase in trade and other payables of S$11.5 million.

Net cash flows used in investing activities amounting to S$5.6 million was mainly attributable by the purchase of plant and equipment of S$2.2 million, additions of investment property of S$4.1 million, net movements in amount due from other related parties of S$1.3 million and acquisition of subsidiaries (net of cash acquired) of S$0.1 million. This was partially offset by the net movements in amount due from joint ventures of S$0.8 million and dividend income from an associate of S$1.3 million.

Net cash flows used in financing activities amounting to S$25.2 million was mainly attributable by the dividends paid to equity owners of S$5.4 million, repayment of loans and borrowings of S$17.7 million, repayment of interest expense of S$4.9 million, repayment of lease liabilities of S$1.0 million and decrease in trust receipt and bill payable of S$2.7 million. This was partially offset by the increase in new borrowings of S$6.3 million.

As a result of the above, there was a net decrease of S$6.3 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2023 was S$17.9 million.

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

Cash Flows Review (cont'd)

FY2023

Net cash flows from operating activities was S$49.5 million was mainly attributable by operating cash flows before working capital changes of S$59.7 million, net cash flows used in working capital of S$3.2 million and income tax paid of S$7.0 million. The net cash flows used in working capital of S$3.2 million was mainly attributable by the increase in inventories of S$27.7 million and decrease in provision of S$0.1 million and other non-financial assets of S$2.0 million. This was partially offset by the decrease in trade and other receivables of S$5.7 million and increase in trade and other payables of S$20.9 million.

Net cash flows used in investing activities amounting to S$22.5 million was mainly attributable by the purchase of plant and equipment of S$18.9 million, additions of investment property of S$4.1 million and net movements in amount due from other related parties of S$2.5 million. This was partially offset by the acquisition of subsidiaries (net of cash acquired) of S$1.0 million, net movements in amount due from joint ventures of S$0.7 million and dividend income from an associate of S$1.3 million.

Net cash flows used in financing activities amounting to S$20.5 million was mainly attributable by the repayment of loans and borrowings of S$25.0 million, repayment of interest expense of S$9.5 million, dividends paid to equity owners of S$11.8 million, dividends paid to non-controlling interests of S$1.2 million, decrease in trust receipt and bill payable of S$5.1 million and repayment of lease liabilities of S$1.6 million. This was partially offset by the increase in new borrowings of S$33.7 million.

As a result of the above, there was a net increase of S$6.5 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2023 was S$17.9 million.

3. Forecast, or a prospect statement

There was no forecast or a prospect statement.

4. Significant trends and competitive conditions of the industry

Singapore outlook

Based on advance estimated released by Ministry of Trade and Industry (MTI) on 2 January 2024, the Singapore economy grew by 2.8% on a year-on-year basis in the fourth quarter of 2023, faster than the 1.0% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.7%, extending the 1.3% expansion in the third quarter. For the whole of 2023, the economy grew by 1.2%, moderating from the 3.6% growth in 2022.

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

The construction sector expanded by 9.1 per cent year-on-year in the fourth quarter, faster than the 6.2 per cent growth in the previous quarter. Both public and private sector construction output increased during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the pace of growth in the construction sector picked up to 4.3 per cent in the fourth quarter, from 0.8 per cent in the third quarter.

According to the media release on 15 January 2024, The Building and Construction Authority (BCA) projects the total construction demand, i.e. the value of construction contracts to be awarded, to range between S$32 billion and S$38 billion in nominal terms in 2024.

The public sector is expected to drive total construction demand in 2024, reaching between S$18 billion and S$21 billion, mainly from public housing and infrastructure projects. Some of the major upcoming public sector projects scheduled to be awarded in 2024 include the Housing and Development Board's (HDB) new Built-To-Order (BTO) developments, additional Cross Island MRT Line contracts (Phase 2), infrastructure works for the future Changi Airport Terminal 5 (T5) and Tuas Port developments and other major road enhancement and drainage improvement works.

Private sector construction demand is projected to be between S$14 billion and S$17 billion in 2024. BCA anticipates that private sector construction demand in 2024 will come mainly from residential developments under the Government Land Sales, expansion of the two Integrated Resorts, redevelopment of commercial premises, as well as development of mixed-used properties and industrial facilities.

BCA expects a steady improvement in construction demand over the medium term. It is projected to reach between S$31 billion and S$38 billion per year from 2025 to 2028. BCA also expects private sector construction demand to remain stable in the medium term at between S$12 billion and S$15 billion per year from 2025 to 2028. While there is steady demand in the sector, there are geopolitical and economic uncertainties, which the sector needs to manage.

Malaysia outlook

According to Bank Negara Malaysia, growth of the Malaysian economy will be driven largely by resilient domestic expenditure, with some support from electrical & electronics ("E&E") exports recovery. Household spending will be supported by steady growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, continued progress of multi-year infrastructure projects and implementation of catalytic initiatives will support investment activity. Budget 2024 measures will also provide additional impetus to economic activity. Meanwhile, domestic financial conditions remain conducive to sustain credit growth, as financial institutions continue to operate with strong capital and liquidity buffers.

The growth outlook is subject to downside risks from weaker-than-expected external demand, and larger and protracted declines in commodity production. Nevertheless, stronger-than-expected tourism activity, a stronger recovery from the E&E downcycle, and faster implementation of projects provide upside to Malaysia's economic outlook.

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

Malaysia outlook (cont'd)

According to Construction Plus Asia, the Malaysian construction industry has experienced significant positive shifts in 2023, with a total value of RM54.71 billion worth of projects realised from January to October. The private sector made a significant comeback following the pandemic-induced lockdowns. It emerged as the primary contributor to construction growth. Key private sector projects that fuelled this resurgence included high-rise residential development incorporating mixed-use concepts, fast-tracked industrial projects driven by supply chain optimization, and data centre developments.

The industry is expected to see a brighter prospect in 2024. Some of the factors are poised to drive growth and development. The New Industrial Master Plan 2030 launched by the Malaysian government will transform the country's manufacturing sector into a high-value, technology-driven and globally competitive industry by 2030. The plan calls for the development of new industrial parks as well as the construction and upgrading of infrastructure to support the growth of the manufacturing sector.

Global outlook

According to a report published by World Bank Group in January 2024, global economic activity continues to soften, amid the effects of tight monetary policies, restrictive financial conditions, and weak global trade growth. Numerous risks, such as geopolitical tensions, financial stress related to elevated debt and high borrowing costs, persistent inflation and further trade fragmentation could cause the global growth projection to tilt to the downside.

Nonetheless, the Group will remain committed to weathering the challenging business environment as market risks remain elevated and will also closely monitor its supply chain activities.

The above information is sourced from:

1. *MTI's press release on 2 January 2024* - https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2024/01/AdvEst_4Q23.pdf

2. *BCA's media release on 15 January 2024 - https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/steady-demand-for-the-construction-sector-projected-for-2024.pdf*

3. *Bank Negar Malaysia, Macroeconomic Outlook - https://www.bnm.gov.my/documents/20124/12521489/qb23q3_en_ch5.pdf*

4. *Construction Plus Asia, Malaysia Construction: Review 2023 and Forecast 2024 - https://www.constructionplusasia.com/my/malaysia-construction-review-2023-and-forecast-2024/*

5. *World Bank Group, Global Economic Prospects, January 2024 - https://openknowledge.worldbank.org/server/api/core/bitstreams/08b387d9-cc44-496e-8e78-e311c88185d7/content*

5. Dividend

5A. Dividend declared for the current financial period

	FY2023			
Name of Dividend	2nd Interim Dividend Exempt (1-tier)	2nd Special Interim Dividend Exempt (1-tier)	Special Interim Dividend Exempt (1-tier) [Paid on 15 September 2023]	Interim Dividend Exempt (1-tier) [Paid on 15 September 2023]
Type of Dividend	Cash	Cash	Cash	Cash
Total number of issued ordinary shares ('000)	430,550	430,550	430,550	430,550
Dividend per share	0.75 cent	0.75 cent	0.50 cent	0.75 cent

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

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

5C. Date payable

To be announced later.

5D. Record date

To be announced later.

6. Interested person transactions

Name of interested person and nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920) 12 months ended 31 December		Aggregate value of all IPTs conducted under IPT Mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 12 months ended 31 December	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Purchases of goods:				
MML Marketing Pte Ltd	–	–	–	1,949
Malaysian Mosaics Sdn Bhd	–	–	31,794	7,296
Sales of goods:				
Malaysian Mosaics Sdn Bhd	–	–	454	–
Hap Seng Trading (BM) Sdn Bhd	–	–	1,773	–
Tapmugliston Pte Ltd	–	197	–	–
Rental expense:				
Malaysian Mosaics Sdn Bhd	–	–	763	–
Rental income:				
The Assembly Place Pte Ltd	183	101	–	–
Recharge of employment cost:				
Malaysian Mosaics Sdn Bhd	–	–	2,623	–
Transfer of staff retirement benefits:				
Malaysian Mosaics Sdn Bhd	615	–	–	–
Provision of insurance services:				
Hap Seng Insurance Services Sdn Bhd	108	–	–	–
Reimbursement of expenses:				
Malaysian Mosaics Sdn Bhd	784	–	–	–
Aggregate value of transactions under the Associate of the Group's Controlling Shareholder, Hap Seng Consolidated Berhad	1,507	-	37,407	9,245

General mandate for IPT was renewed at the Annual General Meeting held on 28 April 2023.

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

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

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

Please refer to section 2 of this announcement for the full year ended 31 December 2023.

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

Name	Age	Family relationship with any director and / or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Low Kok Ann	75	Father of Low See Ching	Executive Director (since 2009) and Chief Executive Officer ("CEO") (since 2014)	No change
Low See Ching	48	Son of Low Kok Ann	Non-Executive Director (since 2014)	No change

10. Confirmation by the board

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

By Order of the Board

Low Kok Ann
Executive Director and Chief Executive Officer

Low See Ching
Non-Independent Non-Executive Director

7 February 2024