

HAFARY

Holdings Limited
Annual Report 2023



*The Leading
Building Material Supplier
Since 1980*



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Corporate Profile

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

Established in 1980 by Executive Director and CEO, Mr Low Kok Ann, Hafary is organised into 3 core business segments: General, Project and Manufacturing. The General segment is spearheaded by the largest sales generator of the group, Hafary Pte Ltd, that supplies ceramics and stone tiles, countertops and sanitary ware and fittings. Surface Project Pte. Ltd., Surface Stone Pte. Ltd. and Gres Universal Pte. Ltd. cater to demand for surfacing materials for use in construction and development projects. To date, these subsidiaries have supplied tiles and stone for use in a considerable number of quality commercial and residential development projects in Singapore.

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

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

Hafary's Malaysia subsidiary, International Ceramic Manufacturing Hub Sdn. Bhd., enable the Group to move upstream and overcome supply chain constraints as well as leverage on the Group's MML and ITAELEMENT brands and distribution networks to grow sales in Malaysia and the global export market.

Corporate headquarters and main showroom of Hafary is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836. The group's main warehouses are located at 3 Changi North Street 1 Singapore 498824, 18 Sungei Kadut Street 2, World Furnishing Hub, Singapore 729236 and Batu 4, Jalan Batu Pahat, 86000 Kluang, Johor, Malaysia.

General

Retail customers may purchase our products directly from our showrooms located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, 18 Sungei Kadut Street 2, World Furnishing Hub, Level 7, Singapore 729236, 560 Balestier Road Singapore 329876, 18 Boon Lay Way #01-132 Tradehub 21 Singapore 609966 and 11 Changi North Way Singapore 498796. At our showrooms, customers can look forward to a wide variety of product displays, mock ups of living spaces and amicable service by our showroom sales team. Retail customers include architecture, interior design and renovation firms, who make ad-hoc purchases for small projects such as home renovation or small property development.

Project

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

Manufacturing

Manufacturing segment includes manufacturing of ceramic tiles that cater to the customers' requirements and specifications. The manufacturing plant located at Batu 4, Jalan Batu Pahat, 86000 Kluang, Johor, Malaysia. The quantities are generally large orders and the customers are from domestic and overseas market. The customers include property developers, wholesalers and distributors.



TILES





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



STONE





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



COUNTERTOP TOPS





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





VINYL &



WOOD



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

CEO's Statement



Dear Shareholders,

On behalf of the Board of Directors of Hafary Holdings Limited (“**Hafary**”, the “**Company**” or the “**Group**”), I am pleased to present to you our Annual Report for the financial year ended 31 December 2023 (“**FY2023**”).

Resilient Financial Performance

The Group’s revenue exhibited a resilient upward trajectory throughout FY2023, marking a substantial year-on-year (“YoY”) increase of 34.1%, reaching S\$226.4 million in FY2023 compared to S\$168.9 million in FY2022. Notably, the Project and General (retail-centric) segments remained pivotal contributors to the majority of this growth, while the manufacturing segment in Malaysia, initiated in 2H2023, demonstrated promising results.

The Group sustained an accelerated demand driven by consumers, as evidenced by a 27.9% surge in revenue from the General segment, amounting to S\$139.7 million in FY2023, compared to S\$109.2 million in FY2022. This growth was propelled by a vibrant resale market, resulting from construction delays in Build-To-Order flats due to manpower shortages and supply chain disruptions. Home buyers, seeking certainty amidst construction delays, favoured the resale market.

The Project segment experienced a substantial 36.2% increase in revenue, reaching S\$81.3 million in FY2023, up from S\$59.7 million in FY2022. This growth was primarily attributed to business expansion in Malaysia. The Group continues to focus on capturing the push towards infrastructure-led economic recovery path adopted by most governments.

In June 2023, complementing the General and Project segments, the Group successfully ventured upstream into the manufacturing segment. The manufacturing plant in Kluang, Malaysia, commenced production of ceramic tile products mainly for distribution in the domestic Malaysian market.

Aligned with the robust top-line performance, profit after tax witnessed a significant YoY increase of 30.9%, reaching S\$40.1 million for FY2023.

Higher Dividend Pay-out

In appreciation of the unwavering support extended by our esteemed shareholders, the Group, for the fiscal year 2023, has announced a dividend distribution, amounting to 2.75 Singapore cents per ordinary share. This distribution encompasses an interim dividend of 0.75 Singapore cents per ordinary share, along with a special interim dividend of 0.5 Singapore cents per ordinary share, which was declared on 25 August 2023, with the payment executed on 15 September 2023. Moreover, a second interim dividend and a second special interim dividend, both set at 0.75 Singapore cents per ordinary share, was declared on 7 February 2024 and paid out on 22 February 2024.

CEO's Statement

Singapore Business:

Our Singapore business continued to showcase promising results as we saw an uptick in our sales from the Singapore showrooms. Footfall continued to be on the rise as well, in line with our expectations. In November 2022, the Group completed the proposed acquisition of 11 contiguous conservation shophouses at 161 Lavender Street, Lavender Place, Singapore 338750. This laid down the groundwork for the Group's near-term expansion plan.

The acquisition of the property will allow the Group to showcase a wider range of products as we look to convert part of the location into our new showroom. The addition and alteration works are currently underway and expected to be completed by 4Q2024. We are excited at the prospect of opening our new showroom and showcasing our comprehensive suite of products, including wood and bathroom products.

Overseas Investments:

Malaysia

Diversifying upstream was a key strategic decision that not only gave the Group increased control over our own supply chain but will open new market expansion opportunities for the Group in the long run. International Ceramic Manufacturing Hub Sdn. Bhd. ("ICMHSB"), the manufacturing arm in Malaysia, is a collaboration between highly synergetic partners whose domain expertise will position the Group as one of the leading manufacturers in the region.

Following the completion of the JV with CNA Pte. Ltd. ("CNA") in December 2022, ICMHSB started production in June 2023. The production yield remained at healthy levels throughout the year. Notably, the Group's daily production has remained above 21,000m² per day since August 2023 and also surpassed maximum capacity of 25,000m² in the months of September and December 2023.

China

Economic uncertainties continue to prevail in China as diversification efforts towards Southeast Asian countries like Malaysia and Vietnam take centre stage. Challenges including a downturn in the property market, potential risks associated with local government debt, deflationary pressures, and subdued global demand have collectively impeded growth endeavours within China. Official data released in January indicates a real GDP growth of 5.2% in 2023, showcasing improvement compared to the 3.0% growth rate observed in 2022. However, this positive trajectory remains distant from the pre-pandemic era, characterized by an annual growth average of 7.4% over the decade leading up to 2019.¹

Amidst the downturn, the Group continued to focus on building their business further as it completed an additional 15% acquisition in its joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"). ITA Element is now a subsidiary of the Group. We believe that there is an underlying strength in the Chinese economy, and we want to be there at the right time with the right resources to capitalise on the turnaround. Together with ITA Element, the Group will continue to build a strong market presence and brand perception in key Chinese markets.

Diversifying upstream and venturing into the manufacturing segment is expected to open new expansion opportunities and increase control over our supply chain.

¹ <https://www.alliancebernstein.com/corporate/en/insights/investment-insights/chinas-struggling-economy-masks-a-promising-investing-landscape.html>

CEO's Statement

Digitalisation

Digitalisation continues to remain a focus area for the Group, not just for our customers but also aimed at increasing operational efficiency within the team. Therefore, we have extended the use case for our existing mobile app to help the internal staff streamline inventory procedures. The staff can now use the app to conduct stock checks and internal review which will subsequently improve operational efficiency. As a Group, we will continue to expand the breadth of services and operational use case for our mobile app and continue to take a step forward towards increased digitalisation.

Cautious optimism underpinned by sustained infrastructure investments

In the backdrop of heightened geopolitical tensions, persistent inflation, and escalating interest rates throughout 2023, global economic recovery faced substantial impediments. The World Bank's predictions suggest the persistence of these challenges into 2024, potentially exerting a dampening effect on global economic activity and skewing growth projections unfavourably.

Notwithstanding these adversities, the Group maintains a stance of cautious optimism, steadfastly committed to addressing and navigating these challenges. This commitment is underpinned by the anticipation of sustained growth in our key target markets.

Anticipated surge in demand driven by the Singapore construction sector

In 2023, Singapore's economic performance, as reported by the Ministry of Trade and Industry ("MTI"), registered a modest annual growth of 1.1%. Notably, the fourth quarter demonstrated a slightly accelerated growth of 2.2% year-on-year (YoY), surpassing the 1.0% growth observed in the preceding quarter. On the other hand, the construction sector

outpaced the overall economic growth rate, achieving a growth of 5.2% in 2023 compared to 4.6% in 2022. This growth was underpinned by expansions in both the public and private sectors.²

The Building and Construction Authority ("BCA") disclosed that the aggregate construction demand for the year 2023 amounted to S\$33.8 billion, surpassing the initial projections of S\$27 billion to S\$32 billion established in January 2023. This notable outperformance was predominantly attributable to an upward trajectory in tender prices, an accelerated issuance of construction awards for numerous private residential projects, and the intensified pace of Housing Development Board's ("HDB") public housing initiatives.³

In its forward-looking assessment, MTI anticipates Singapore's GDP growth to be within the range of 1.0% to 3.0% in 2024. This projection is influenced by uncertainties stemming from geopolitical factors, disruptions in the global supply chain, subdued domestic demand, and the persistent economic challenges faced by China, which collectively pose potential constraints on the growth trajectory of the broader Asian economy.²

Within the construction sector, BCA envisions the total demand to fluctuate between S\$32 billion and S\$38 billion in 2024. The public sector is anticipated to play a significant role, accounting for 55% of this demand and reaching a range of S\$18 billion to S\$21 billion. This heightened demand in the public sector is expected to be driven primarily by initiatives in public housing and substantial infrastructure projects, including but not limited to the forthcoming Changi Airport Terminal 5.³

² MTI's press release on 15 Feb 2024 - https://www.mti.gov.sg/Newsroom/Press-Releases/2024/02/MTI-Maintains-2024-GDP-Growth-Forecast-at-1_0-to-3_0-Per-Cent

³ BCA's media release on 15 Jan 2024 - <https://www.bca.gov.sg/about-us/news-and-publications/media-releases/2024/01/15/steady-demand-for-the-construction-sector-projected-for-2024>

CEO's Statement

The construction industry continues to remain lucrative and set for multi-year growth on the back of rising infrastructure investments.

Strategically positioned to seize opportunities in the Malaysian market

The construction industry in Malaysia is gaining increased importance with multi-year infrastructure projects in the pipeline. As reported by Construction Plus Asia, notable positive shifts were observed in the Malaysian construction sector throughout 2023, culminating in the realization of projects valued at RM54.71 billion from January to October. The principal drivers of this growth were key private sector initiatives, particularly in the realms of residential and industrial developments.⁴

We are of the conviction that the current growth observed in Malaysia is merely the initial phase, and the prospects for 2024 appear even more promising. The introduction of the New Industrial Master Plan 2030 by the Malaysian government is anticipated to play a pivotal role in fostering further growth. This strategic initiative involves the establishment of new industrial parks and the substantial construction and enhancement of infrastructure, specifically designed to facilitate the expansion of the manufacturing sector.

In Appreciation

Firstly, I would like to express my sincere gratitude to two of our directors, Mr Richard Ong and Mr Terrance Tan, who will be retiring from the Board of Directors on 2024 AGM as they complete their maximum director tenure as per SGX regulations. Their contributions to the Group have been invaluable and we wish them all the best for their future endeavours.

I would like to extend my sincere appreciation to our fellow Directors for their invaluable contributions and guidance. Furthermore, I express deep gratitude to our dedicated employees for their unwavering efforts in advancing the mission of Hafary. Additionally, I would like to convey my heartfelt gratitude to our loyal customers and shareholders for their enduring support over the long term. It is through the collective dedication of all stakeholders that Hafary has achieved these commendable results.

Low Kok Ann
Executive Director & CEO

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

Board of Directors



Ong Beng Chye
Independent Non-Executive Chairman

Mr Ong Beng Chye was appointed as Lead Independent Director on 10 November 2009 and was re-elected on 28 April 2023. He was appointed as the Independent Non-Executive Chairman of our Company on 6 March 2015. He graduated with a Bachelor of Science with Honours Degree from The City University, London in 1990 and has more than 30 years of experience in the finance sector.

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

Other present directorship:

- IPS Securex Holdings Limited
- ES Group (Holdings) Limited
- Alpina Holdings Limited
- LMS Compliance Ltd.

Past directorship (Preceding three years):

- CapAllianz Holdings Ltd (formerly known as "CWX Global Limited")
- Geo Energy Resources Limited



Low Kok Ann
Executive Director and Chief Executive Officer

Mr Low Kok Ann was appointed as Executive Director of our Company on 6 October 2009 and was re-elected on 28 April 2023. He attained a Government Higher School Certificate (Chinese) in 1969.

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

Other present directorship:

- NIL

Past directorship (Preceding three years):

- NIL

Board of Directors



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

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

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

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

Other present directorship:

- Hap Seng Consolidated Berhad
- Hap Seng Plantations Holdings Berhad

Past directorship (Preceding three years):

- NIL



Low See Ching
Non-Independent Non-Executive Director

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

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

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

Other present directorship:

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

Past directorship (Preceding three years):

- NIL

Board of Directors



Cheah Yee Leng
Non-Independent Non-Executive Director

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

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

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

Other present directorship:

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

Past directorship (Preceding three years):

- NIL



Yong Teak Jan @ Yong Teck Jan
Non-Independent Non-Executive Director

Mr Yong Teak Jan @ Yong Teck Jan was appointed as a Non-Independent Non-Executive Director of our Company on 18 January 2018 and was re-elected on 14 April 2021.

Mr Yong graduated with a Bachelor of Science with Honours in Chemistry from the University of Malaya, Malaysia.

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

Mr Yong is currently a director and the Chief Operating Officer of building materials/general trading business of Hap Seng Consolidated Berhad.

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

Other present directorship:

- NIL

Past directorship (Preceding three years):

- NIL

Board of Directors



Terrance Tan Kong Hwa
Independent Director

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

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

Other present directorship:

- NIL

Past directorship (Preceding three years):

- NIL



Foo Yong How
Independent Director

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

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

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

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

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

Other present directorship:

- NIL

Past directorship (Preceding three years):

- NIL

Key Management

Tay Eng Kiat Jackson

Chief Operating Officer & Company Secretary

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

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

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

Koh Yew Seng Mike

Director - Logistics

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

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

Goh Keng Boon Frank

Project Director

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

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

Tay Chye Heng Stephen

Public Project Director

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

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

Lee Yee Fei Mandy

Financial Controller

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

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

Group Structure

As of Reporting Year

HAFARY HOLDINGS LIMITED

UEN: 200918637C

100%

HAFARY PTE LTD

UEN: 198001531R

SINGAPORE

70%

Surface Project Pte. Ltd.

UEN: 200500263N

90%

Surface Stone Pte. Ltd.

UEN: 200906485D

100%

Wood Culture Pte. Ltd.

UEN: 201007442H

100%

Hafary Centre Pte. Ltd.

UEN: 201026113W

100%

Hafary Vietnam Pte. Ltd.

UEN: 201120831H

50%

Melmer Stoneworks Pte. Ltd.

UEN: 201216143E

100%

Hafary International Pte. Ltd.

UEN: 201305688M

100%

Marble Trends Pte. Ltd.

UEN: 201309646E

81%

World Furnishing Hub Pte. Ltd.

UEN: 201317854K

100%

Hafary Trademarks Pte. Ltd.

UEN: 201526416M

51%

Hafary Balestier Showroom Pte. Ltd.

UEN: 201603055M

56%

Gres Universal Pte. Ltd.

UEN: 201610591C

100%

Hafary Building Materials Pte. Ltd.

UEN: 201724020R

100%

Hafary W+S Pte. Ltd.

UEN: 201834344K

33.3%¹

Hafary Myanmar Investment Pte. Ltd.

UEN: 201834571E
(Joint Venture)

100%

Hafary Crescent Pte. Ltd.

UEN: 202126825D

95%²

Hafary Element Pte. Ltd.

UEN: 202221070W

66.5%³

International Ceramic Manufacturing Hub Pte. Ltd.

UEN: 202221067C

100%

Hafary Flagship Store Pte. Ltd.

UEN: 202223334G

82.5%⁴

MML x Element International Pte. Ltd.

UEN: 202320755R

OVERSEAS

49%⁵

Viet Ceramics International Joint Stock Company

UEN: 031102831I
(Associate incorporated in Vietnam)

100%

Hafary Trading Sdn. Bhd.

UEN: 202001030234
(1386554-D)
(Subsidiary incorporated in Malaysia)

66.5%⁶

International Ceramic Manufacturing Hub Sdn. Bhd.

UEN: 202201021959(1467656-H)
(Subsidiary incorporated in Malaysia)

33.33%⁷

Hafary Myanmar Co., Ltd.

UEN: 108551070
(Joint Venture incorporated in Myanmar)

100%

Foshan Hafary Trading Co., Ltd.

UEN: 440600400022964
(Subsidiary incorporated in China)

65%⁸

Guangdong ITA Element Building Materials Co., Limited

UEN: 91440604MA4WQTML60
(Subsidiary incorporated in China)

62.4%⁹

Foshan Element Building Material Co., Ltd.

UEN: 91440604MA4WQNH9X8
(Subsidiary incorporated in China)

65%¹⁰

Foshan Element Ceramic Co., Ltd.

UEN: 91440604MA51HKW081
(Subsidiary incorporated in China)

¹ Effective holding of 33.3%
Held through Hafary Pte. Ltd. - 33.3%

² Effective holding of 95%
Held through Hafary Pte Ltd - 85.7%
Held through Guangdong ITA Element Building Materials Co., Limited - 9.3%

³ Effective holding of 66.5%
Held through Hafary Element Pte. Ltd. - 66.5%

⁴ Effective holding of 82.5%
Held through Hafary Trading Sdn. Bhd. - 50%
Held through Guangdong ITA Element Building Materials Co., Limited - 32.5%

⁵ Effective holding of 49%
Held through Hafary Vietnam Pte. Ltd. - 49%

⁶ Effective holding of 66.5%
Held through International Ceramic Manufacturing Hub Pte. Ltd. - 66.5%

⁷ Effective holding of 33.3%
Held through Hafary Myanmar Investment Pte. Ltd. - 33.3%

⁸ Effective holding of 65%
Held through Hafary Building Materials Pte. Ltd. - 65%

⁹ Effective holding of 62.4%
Held through Guangdong ITA Element Building Materials Co., Limited - 62.4%

¹⁰ Effective holding of 65%
Held through Guangdong ITA Element Building Materials Co., Limited - 65%

Financial Highlights

For the Year	FY2023 S\$'000	FY2022 S\$'000	FY2021 S\$'000	FY2020 S\$'000	FY2019 S\$'000
Revenue - General	139,732	109,225	82,716	53,853	61,589
Revenue - Project	81,259	59,660	43,288	27,062	43,516
Revenue - Manufacturing	5,431	-	-	-	-
Total Revenue	226,422	168,885	126,004	80,915	105,105
Revenue - General (% of Total Revenue)	61.7%	64.7%	65.6%	66.6%	58.6%
Revenue - Project (% of Total Revenue)	35.9%	35.3%	34.4%	33.4%	41.4%
Revenue - Manufacturing (% of Total Revenue)	2.4%	-	-	-	-
Earnings Before Interest, Income Taxes and Depreciation (EBITDA)	70,220	51,544	25,651	16,664	23,734
EBITDA Margin (%)	31.0%	30.5%	20.4%	20.6%	22.6%
Finance Cost (i.e. Interest Expense)	9,491	4,616	3,204	3,261	4,535
Profit before Income Tax	48,969	37,583	15,133	6,260	11,574
Profit before Income Tax Margin (%)	21.6%	22.3%	12.0%	7.7%	11.0%
Net Profit	40,096	30,638	12,312	5,535	10,005
Net Profit Margin (%)	17.7%	18.1%	9.8%	6.8%	9.5%
Profit After Income Taxes and Non- Controlling Interest (PATNCI)	39,066	29,372	11,580	5,260	10,087
PATNCI Margin (%)	17.3%	17.4%	9.2%	6.5%	9.6%

At Year End	FY2023 S\$'000	FY2022 S\$'000	FY2021 S\$'000	FY2020 S\$'000	FY2019 S\$'000
Non-Current Assets	299,874	276,206	191,187	133,375	139,867
Current Assets	171,727	127,322	94,836	91,490	99,112
Total Assets	471,601	403,528	286,023	224,865	238,979
Non-Current Liabilities	185,600	187,285	126,368	92,275	88,468
Current Liabilities	160,166	120,231	82,249	59,122	77,661
Total Liabilities	345,766	307,516	208,617	151,397	166,129
Total Debt	272,943	263,544	181,483	127,089	144,664
Cash and Cash Equivalents	17,897	11,504	6,070	5,211	7,559
Net Debt	255,046	252,040	175,413	121,878	137,105
Shareholders' Equity	118,148	92,571	75,475	71,309	68,963
Total Equity	125,835	96,012	77,406	73,468	70,987
Number of Ordinary Shares ('000)	430,550	430,550	430,550	430,550	430,550
Weighted Average Number of Ordinary Shares ('000)					
- Basic	430,550	430,550	430,550	430,550	430,550
- Diluted	430,550	430,550	430,550	430,550	430,550
Share Price at Year End (cents)	30.5	20.0	17.0	14.0	15.0
Market Capitalisation as at Year End Date	131,318	86,110	73,194	60,277	64,583

Financial Highlights

Financial Ratios	FY2023	FY2022	FY2021	FY2020	FY2019
Profitability					
Revenue Growth (%)	34.1%	34.0%	55.7%	-23.0%	-10.2%
PATNCI Growth (%)	33.0%	153.6%	120.2%	-47.9%	-5.9%
Return on Assets (%) (PATNCI/ Total Assets)	8.3%	7.3%	4.0%	2.3%	4.2%
Return on Equity (%) (PATNCI/ Average Shareholders' Equity)	37.1%	35.0%	15.8%	7.5%	15.2%
Liquidity					
Current Ratio (times)	1.1	1.1	1.2	1.5	1.3
Cash as Per Share (cents)	4.2	2.7	1.4	1.2	1.8
Net Assets Per Share (cents)	27.4	21.5	17.5	16.6	16.0
Leverage					
Net Debt to Equity Ratio (times) (Net Debt/ Shareholders' Equity)	2.2	2.7	2.3	1.7	2.0
Interest Cover (times) (EBITDA/ Finance Cost)	7.4	11.2	8.0	5.1	5.2
Investors' Ratio					
Earnings Per Share (cents) (Basic and Fully Diluted)	9.1	6.8	2.7	1.2	2.3
Total Gross Dividend Per Share (cents) (DPS)	2.75	2.25	1.50	1.00	1.00
Gross Dividend Yield (%) Based on Year End Share Price	9.0%	11.2%	8.8%	7.1%	6.7%
Gross Dividend Payout (%) (Gross Dividend Paid/ Profit After Tax Attributable to Shareholders)	30.3%	33.0%	55.8%	61.4%	42.7%

Financial Review

Statement of Comprehensive Income

	FY2023 S\$'000	FY2022 S\$'000	Change S\$'000	Change %
Revenue	226,422	168,885	57,537	34.1
Interest Income	180	109	71	65.1
Other Income and Gains	13,372	6,950	6,422	92.4
Changes in Inventories of Goods Held for Resale	(1,478)	10,923	(12,401)	(113.5)
Purchases and Related Expenses	(120,778)	(100,970)	(19,808)	19.6
Employee Benefits Expenses	(34,030)	(24,623)	(9,407)	38.2
Amortisation and Depreciation Expenses	(11,940)	(9,454)	(2,486)	26.3
Impairment Losses	(157)	(589)	432	(73.3)
Other Losses	(349)	-	(349)	N.M.
Finance Costs	(9,491)	(4,616)	(4,875)	105.6
Other Expenses	(16,282)	(13,073)	(3,209)	24.5
Share of Profit from An Equity-Accounted Associate	3,220	3,679	(459)	(12.5)
Share of Profit from Equity-Accounted Joint Ventures	280	362	(82)	(22.7)
Profit Before Income Tax	48,969	37,583	11,386	30.3
Income Tax Expense	(8,873)	(6,945)	(1,928)	27.8
Profit, Net of tax	40,096	30,638	9,458	30.9
Other Comprehensive Loss:				
Items that may be Reclassified Subsequently to Profit or Loss:				
Exchange Differences on Translating Foreign Operations, Net of Tax	(1,649)	(1,642)	(7)	0.4
Total Comprehensive Income	38,447	28,996	9,451	32.6
Profit, Net of Tax Attributable to:				
- Owners of the Parent, Net of Tax	39,066	29,372	9,694	33.0
- Non-Controlling Interests, Net of Tax	1,030	1,266	(236)	(18.6)
	40,096	30,638	9,458	30.9
Total Comprehensive Income Attributable to:				
- Owners of the Parent	37,417	27,730	9,687	34.9
- Non-Controlling Interests	1,030	1,266	(236)	(18.6)
	38,447	28,996	9,451	32.6

Financial Review

Revenue

During 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

The 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 supported by an 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

The 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 the FY2023, total revenue from manufacturing segment is totaling S\$5.4 million.

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% equity 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 FY2023, other income and gains increased by S\$6.4 million or 92.4% from S\$7.0 million during FY2022 to S\$13.4 million during FY2023.

For FY2023, other income and gains mainly comprised of fair value gain on remeasurement of the previously held interests in the investee 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\$0.3 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 fair value gain on remeasurement of the previously held interests in the investee of S\$7.5 million. The increase is partially offset by the decrease in foreign exchange adjustment loss of S\$1 million, gain on disposal of plant and equipment of S\$0.2 million and reduction of government grants of S\$0.2 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 FY2023, other losses mainly comprised of foreign exchange adjustment losses.

Cost of Sales

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

Cost of sales increased by S\$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.

Financial Review

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

Employee Benefits Expenses

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 929 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 Expenses

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.

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.

Impairment losses mainly comprises the additions allowance on trade and other 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

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

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\$0.3 million and advertisement & promotion of S\$0.4 million in relation to the increase of sales;
- property tax of S\$0.2 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.

Financial Review

Share of Profit from an Equity-Accounted Associate

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

Share of profit from joint ventures amounted to S\$0.3 million (FY2022: share of profits of S\$0.4 million).

Prior to 1 January 2023, MSPL is a joint venture of the Group and the Group owned 50% equity 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 26 October 2023, ITA Element is a joint venture of the Group and the Group owned 50% equity interest in ITA Element. On 26 October 2023, the Group has acquired additional 15% equity 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.

Profit Before Income Tax

The group has generated a profit before tax of S\$49.0 million in FY2023 as compared to a profit before tax of S\$37.6 million in FY2022.

During FY2023, 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\$33.5 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 Element during the year.

Other Comprehensive Loss

This pertains to foreign exchange difference on translating foreign operations.

Income Tax Expense

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

Statement of Financial Position

	FY2023 S\$'000	FY2022 S\$'000	Change S\$'000	Change %
Non-Current Assets:				
Property, Plant and Equipment	115,128	104,086	11,042	10.6
Right-of-Use Assets	134,168	132,140	2,028	1.5
Investment Properties	21,184	17,390	3,794	21.8
Intangible Assets	8,476	-	8,476	N.M.
Investment in an Associate	20,351	19,423	928	4.8
Investments in Joint Ventures	193	2,832	(2,639)	(93.2)
Other Financial Assets	374	335	39	11.6
Total Non-Current Assets	299,874	276,206	23,668	8.6
Current Assets:				
Inventories	90,258	56,998	33,260	58.4
Trade and Other Receivables	56,341	53,296	3,045	5.7
Derivative Financial Assets	-	81	(81)	(100.0)
Other Non-Financial Assets	7,231	5,443	1,788	32.8
Cash and Cash Equivalents	17,897	11,504	6,393	55.6
Total Current Assets	171,727	127,322	44,405	34.9
Total Assets	471,601	403,528	68,073	16.9

Financial Review

Statement of Financial Position				
	FY2023	FY2022	Change	Change
	S\$'000	S\$'000	S\$'000	%
Equity:				
Equity, Attributable to Owners of the Parent	118,148	92,571	25,577	27.6
Non-Controlling Interests	7,687	3,441	4,246	123.4
Total Equity	125,835	96,012	29,823	31.1
Non-Current Liabilities:				
Deferred tax liabilities	1,768	886	882	99.5
Loans and Borrowings, Non-Current	168,199	173,016	(4,817)	(2.8)
Lease Liabilities, Non-Current	15,633	13,383	2,250	16.8
Total Non-Current Liabilities	185,600	187,285	(1,685)	(0.9)
Current Liabilities:				
Income Tax Payable	8,803	7,172	1,631	22.7
Provision	980	1,119	(139)	(12.4)
Trade and Other Payables	53,407	26,654	26,753	100.4
Derivative Financial Liabilities	1	-	1	N.M.
Loans and Borrowings, Current	86,302	76,130	10,172	13.4
Lease Liabilities, Current	2,809	1,015	1,794	176.7
Other Non-Financial Liabilities	7,864	8,141	(277)	(3.4)
Total Current Liabilities	160,166	120,231	39,935	33.2
Total Liabilities	345,766	307,516	38,250	12.4
Total Equity and Liabilities	471,601	403,528	68,073	16.9

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 Element 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 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.

Financial Review

Intangible assets comprise of goodwill and customer relationship which arising from consolidation of MSPL. Prior to 1 January 2023, MSPL is a joint venture of the Group and the Group owned 50% equity 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.

Investment in an 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 93.2% 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 Element 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.

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.

Financial Review

Leasehold properties held by the Group	105 Eunos Avenue 3 Hafary Centre Singapore 409836	3 Changi North Street 1 Singapore 498824	54/56 Sungei Kadut Loop Singapore 729477	18C Sungei Kadut Street 4 Singapore 729066	18 Sungei Kadut Street 2 World Furnishing Hub Singapore 729236
Description	6-storey light industrial building	2-storey warehouse	1-storey warehouse	Warehousing/ Production premises/ 2-storey ancillary building	7-storey industrial building
Purpose	Headquarters and main showroom	Main warehouse	Warehouse	Marble processing facility	Commercial and warehousing
Tenure of lease	Expiring 14 September 2039	Expiring 28 February 2059	Expiring 15 January 2025	Expiring 15 September 2025	Expiring 3 September 2043
Area ('000 square feet)					
- Land	54	131	105	56	107
- Gross floor or net lettable area	130	151	69	46	296
Purchase price (\$\$'000)	9,800	10,000	2,502	1,430	8,650
Development and directly attributable costs (\$\$'000)	11,752	13,787	-	2,938	49,788
Carrying amount as at 31 December 2023 (\$\$'000)	12,905	18,185	157	626	42,415

Financial Review

North Fang Xun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangzhou, China	532 Balestier Singapore 329859	11 Changi North Way Singapore 498796	51 Middle Road Singapore 188959	28 Loyang Crescent Singapore 508990	161 Lavender Street Singapore 338750
Warehouse and 5-storey dormitory	2-storey corner prewar shophouse	4-storey warehouse	6-Storey corner commercial building	Warehousing/ Production premises/7-storey ancillary building	11 contiguous conservation shophouses with 4-storey rear extension
Warehouse	Commercial	Warehouse	Commercial	Warehouse	Proposed flagship store and commercial
Expiring 30 December 2050	Freehold	Expiring 15 November 2033	Expiring 29 January 2834	Expiring 30 June 2030	Expiring 1 December 2115
441	2	78	3	64	18
287	3	109	17	159	45
10,000	4,050	16,000	34,750	8,780	71,280
100	226	3,956	1,037	258	6,226
6,331	4,136	18,776	35,247	6,977	77,082

Sustainability Report

Board Statement

Dear Stakeholders,

The Board of Directors (“**Board**” or “**Directors**”) of Hafary Holdings Limited (“**Company**” and together with its subsidiaries, the “**Group**” or “**Hafary**”) is pleased to present Hafary’s annual Sustainability Report (“**Report**”) for the financial year ended on 31 December 2023 (“**FY2023**”).

Hafary stands as a leading supplier of premium tiles, stone, mosaic, wood-flooring, quartz top and sanitary ware and fittings in Singapore. As we expand our business, the objective is to operate in a manner that enhance society, uphold human rights, minimise our environmental impact, and foster sustainable business practices. In FY2023, the solar photovoltaic systems generated 2,579.6 megawatt hours of active solar energy. As solar electricity produces no carbon emission, the Group eliminated carbon emissions of approximately 1,075 tonnes.

The Group recognises the challenges associated with climate-related considerations in incorporating sustainability into its operations. Key challenges encompass ensuring compliance with regulations and addressing the escalated expenses related to raw materials. Despite these challenges, we are keenly aware of numerous prospects for growth and advancement. For instance, the Group utilises water and energy-efficient fixtures and fittings, adopts energy-saving LED lights, and advocates for recycling and digitalisation in various facilities such as office building, showroom, warehouse, and factory. It is noteworthy that the renewable energy produced by the Group’s photovoltaic system can be registered as Renewable Energy Certificate (“**REC**”), symbolising commitment to reducing greenhouse gas emissions and supporting the production of clean energy.

Our Sustainability Steering Committee (“**SSC**”) plays a vital role in overseeing and updating the Board and Management about the Group’s policies, strategies and initiatives regarding sustainability measures. The annual materiality assessment conducted by the SSC reaffirmed the material topics and embedded their underlying implications into our strategic direction. As we continue our sustainability journey, there will be ongoing reviews and adjustments to our performance indicators and targets to ensure alignment with our business objectives. Furthermore, we are committed to enhancing engagement with stakeholders, aiming to improve our sustainability efforts and practices, and fostering the development of a resilient, long-term business.

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

Yours faithfully,

For and on behalf of the Board

Low Kok Ann

Chief Executive Officer

About this Report

Scope of Report

This report focuses on Hafary’s longstanding conviction to Economic, Environment, People and Governance integration. The data and information presented in this Report covers the reporting period from 1 January 2023 to 31 December 2023 (“**FY2023**”), unless stated otherwise. The scope of this report covers the activities of the Group’s subsidiaries in Singapore, China and Malaysia.

Reporting Framework

This Report has been reviewed by the Board and was prepared in line with the sustainability reporting requirements of Rules 711A and 711B of the Listing Manual – Mainboard Rules of Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Report is prepared with reference to the Global Reporting Initiative (“**GRI**”) Standards 2021 as it is a globally recognised and widely adopted framework, which enables the Group’s stakeholders to compare its sustainability performance against its industry peers. For climate-related disclosure, Hafary has reference to the reporting guidelines outlined by the Task Force on Climate-Related Financial Disclosures (“**TCFD**”) starting from FY2023.

Report Content and Quality

This Report develops Hafary’s sustainability strategies, policies, and performances by providing more quantitative goals and targets to support its corporate values, as well as addressing the key concerns and issues that Hafary’s stakeholders have frequently raised. To maintain consistency and content quality, Hafary has applied GRI’s eight principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability.

Sustainability Report

Restatement

The operating margin grid emission factors from Sustainability Report FY2022 were restated for the computation of Scope 2 Greenhouse Gas emissions. This measure was taken to ensure the accuracy of data and facilitate a fair comparison in the reporting year.

Assurance

The Group has not sought external assurance for the information presented in this Report. Internal review on the Group's sustainability reporting policies, processes and internal controls has been conducted by the Internal Auditors, BDO Advisory Pte Ltd.

Feedback

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

Our Sustainability Steering Committee

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

Led by the Group's Chief Operating Officer ("COO"), the SSC is supported by department heads from various functional division within the Group. The SSC receives regular updates on the progress of the Group's core sustainability initiatives, as well as review the Group's workplace and human rights practices. The roles and responsibilities of the SSC members are specified as below:

Designation	Roles	Responsibilities
Chief Operating Officer	<ul style="list-style-type: none"> Oversees the Group's strategic formulation and vision Approves the Group's sustainability strategies and action plans to address its climate-related risks and impacts Support to foster a culture of sustainability across the Group 	<ul style="list-style-type: none"> Provides strategic guidance and formulate the Group's sustainability strategy Identifies climate-related risks and opportunities Reviews climate-related metrics and targets Manages day-to-day operations pertaining to ESG performances of the Group Oversees daily administrative and operational functions related to sustainable development Evaluates ESG risks and monitor climate-related performances in the Group's business practices
Financial Controller	<ul style="list-style-type: none"> Member of the SSC to support sustainability practices Support to foster a culture of sustainability, especially across the Accounts Department 	<ul style="list-style-type: none"> Reviews the financial performances of climate-related risks and opportunities undertaken by the Group Coordinates reporting and disclosures Ensures legal compliances with relevant financial-related requirements Promotes recycling practices and cultivate sustainability habits across the Group
Project Director	<ul style="list-style-type: none"> Member of the SSC to support sustainability practices Support to foster a culture of sustainability, especially across the Sales & Marketing Department 	<ul style="list-style-type: none"> Optimises marketing strategies to promote environmentally friendly initiatives Raises climate resilience awareness when establishing and managing customer relationship
Director of Logistics	<ul style="list-style-type: none"> Member of the SSC to support sustainability practices Support to foster a culture of sustainability, especially across the Warehouse Department 	<ul style="list-style-type: none"> Conducts risk assessment and environmental impact analysis of various waste and pollution generated from warehouse Works closely with the SSC to assess and manage climate-related risks and opportunities
Head of System Administrator	<ul style="list-style-type: none"> Member of the SSC to support sustainability practices Support to foster a culture of sustainability, especially across the IT Department 	<ul style="list-style-type: none"> Ensures all climate-related data are compiled and maintained in good quality and in accordance with relevant regulations Works closely with the SSC to assess and manage climate-related risks and opportunities

Sustainability Report

Linking ESG to remuneration

Members of the SSC will continue to set annual objectives on ESG matters which are supportive of the identified corporate ESG objectives. As Hafary develops more detailed environmental and social targets, it is the Group's intention to progressively integrate them as part of the management review and remuneration processes.

Stakeholder Engagement

Hafary actively interacts with and responds to the demands of its stakeholders to align their expectations with its objectives. Regular assessments of the distinct needs and expectations of various stakeholder groups ensure that their concerns play a pivotal role in shaping Hafary's business decisions. The summary table below outlines the diverse activities undertaken to engage with stakeholders, and highlights the primary concerns expressed by stakeholders.

Stakeholders	Current Engagement Channels	Frequency	Key Concerns
Employees	Performance appraisals	Annual	<ul style="list-style-type: none"> • Remuneration and benefits • Employee safety and well-being • Training and development opportunities • Fair and competitive employment practices • Job security and workplace safety
	Internal and external training programmes	Ad-hoc	
	Digital feedback and communication platforms	Ad-hoc	
	Regular meetings	Monthly	
Customers	Customers' service and feedback emails	Ad-hoc	<ul style="list-style-type: none"> • Compliance with environmental and safety standards • Good quality products and services • Efficient project management • Timely completion of projects • Legal and contractual compliance
	Customers' showroom visits	Ad-hoc	
	Verbal communications (e.g., social media and phone calls)	Perpetual	
Suppliers	Suppliers' feedback through emails, phone calls and fax	Ad-hoc	<ul style="list-style-type: none"> • Supplier policies and requirements • Fair and timely payment terms • Occupational health and safety practices • Strong and lasting cooperation
	Supplier on-site meetings	Ad-hoc	
Shareholders and Investors	Annual General Meetings	Annual	<ul style="list-style-type: none"> • Financial stability and long-term growth plans • Operational efficiency • Sustainability efforts • Compliance with regulations • Risk Management • Sound corporate governance • Business climate resilience
	Financial result announcements	Quarterly	
	SGXNet announcements	Ad-hoc	
	Annual report and Sustainability Report	Annual	
	Company website	Perpetual	
Regulators and Government	Direct engagement with authorities	Ad-hoc	<ul style="list-style-type: none"> • Compliance updates • Good corporate governance & ethics • Transparency and non-financial reporting • Anti-corruption and bribery • Sustainability reports
	Meetings, briefings, and reporting	Ad-hoc	
	Correspondences through emails and letters	Ad-hoc	
	Annual report and Sustainability Report	Annual	
Local Communities	Charitable contribution	Ad-hoc	<ul style="list-style-type: none"> • Corporate Social Responsibility programme • Community service events
	Volunteering activities	Ad-hoc	

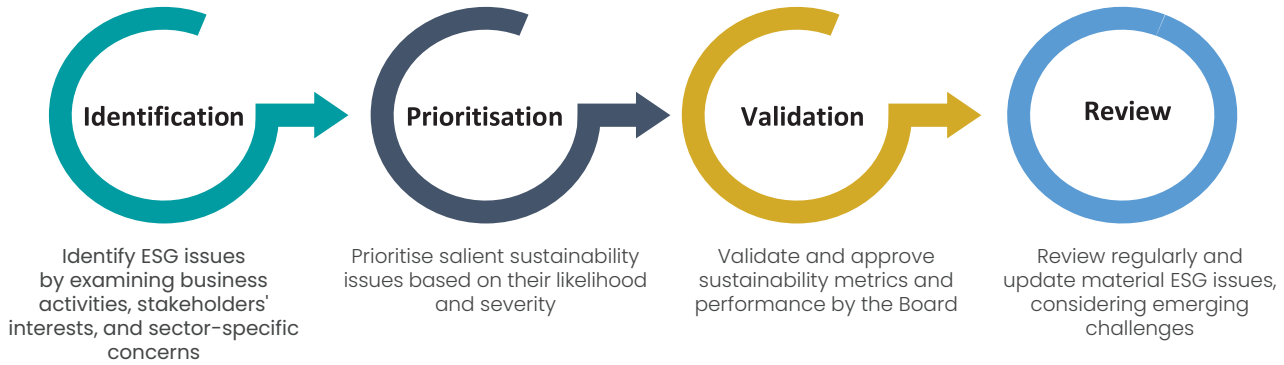
Materiality Assessment

To stay informed about material and salient sustainability issues, the Group periodically evaluates and benchmarks its business operations. This annual assessment involves an examination of the dynamic business landscape, taking into account emerging global trends, stakeholders' opinions and latest regulatory developments.

Hafary's approach to determining material topics, as outlined above, involves a regular assessment aimed at identifying both actual and potential impacts associated with the business activities. Opinions and feedback from various stakeholders are obtained through the diverse channels of engagement. These insights, derived from the engaged stakeholders through survey forms, form a crucial component of Hafary's materiality assessment process. Through examination of stakeholder perspectives, Hafary has developed a comprehensive understanding of the paramount issues that hold significance for the Group.

Sustainability Report

This materiality assessment allows the Group to prioritise and address concerns that have significant impact on the business, economy, environment and people. It serves as a strategic guide, helping the Group align its sustainability initiatives with the evolving expectations of stakeholders. The materiality assessment is outlined below:



Subsequent to the materiality assessment conducted by the SSC, Hafary has reaffirmed the relevance and significance of all 10 identified material topics. As the Group transitions into FY2023, no changes have been identified or deemed necessary regarding the material topics. The Group's material topics are as follow:

Environmental	Social	Governance	Economic
Critical			
<ul style="list-style-type: none"> Greenhouse Gas Emissions Energy Consumption 	<ul style="list-style-type: none"> Occupational Health and Safety Training and Development 	<ul style="list-style-type: none"> Anti-corruption Practices Legal & Regulatory Compliance Business Conduct and Ethics 	<ul style="list-style-type: none"> Economic Performance
Moderate			
	<ul style="list-style-type: none"> Employment Practices Local Communities 		

Environmental

Climate-related considerations are recognised as a material concern and Hafary's focus this year has been on understanding how climate-related risks and opportunities will impact the Group in a changing climate. Employing scenario analysis, the Group has enhanced its understanding of the potential evolution of financial impacts across various future scenarios. The Group has also progressively implemented measures to decarbonise its business practices, to ensure resilience against a range of physical and transition risks.

TCFD Climate Risk Analysis

Group Strategy

Based on the Group's materiality assessment, climate change and emissions are material ESG issues that are crucial and pertinent for Hafary. In addition, climate change is one of the key risks identified as part of the Group's Enterprise Risk Management ("ERM") Framework.

The Singapore Government has pledged its commitment to the Paris Agreement on climate change, striving to keep temperature increase to well below 2°C and making efforts to limit the temperature increase to 1.5°C. As part of the Group's commitment to achieving the goals established by the Paris Agreement, Hafary has initiated the first step to comprehend the impact of climate change on the Group's operations and explored potential risks and opportunities associated with climate-related factors.

In adherence to the TCFD recommendations, the Group is steadfast in implementing an overarching group strategy to address financial aspects related to climate considerations. Hafary's approach focuses on regular risk assessment and management and establishing resilience against physical and transitional climate risks. The Group aims to progressively disclose the quantitative impact of its climate-related risks and opportunities and Scope 3 GHG emissions. Additionally, a more detailed scenario analysis will be conducted, aiming for quantitative results. The Group targets to disclose these information and data by FY2025.

Sustainability Report

The Group is committed to transitioning to a low-carbon economy by setting emission reduction targets, investing in sustainable practices, and integrating innovative, environmentally friendly products. Moreover, the Group fosters collaboration with suppliers known for its sustainable supply chains and promote industry-wide cooperation. In addition, Hafary, in its efforts to integrate climate considerations into financial planning, maintains a continuous process of monitoring, reviewing and adapting to emerging climate science and regulatory changes to ensure the effectiveness of its strategy.

Scenario Analysis on Climate-Related Risk and Opportunities

The climate scenario analysis serves as a tool to understand how the identified climate-related risks and opportunities could impact future operations of the Group. Hafary's preliminary evaluation considers the following two scenarios based on the Intergovernmental Panel on Climate Change ("IPCC"): (1) a best-case scenario where the global average temperature increases by less than 2°C, and (2) a business as usual with no mitigation scenario where temperatures increase more than 4°C by the end of the century. The key characteristics of the selected scenarios are outlined below:

Scenario	Paris-aligned scenario (Below 2°C)	No mitigation scenario (4°C)
Rationale	<p>In this scenario, the world manages to reduce CO₂e emissions through several measures, such as legislation, global carbon taxes, and major shifts in consumption patterns and lifestyles.</p> <p>This scenario is selected to assess the transition impacts in an economy shifting to a low carbon world. It reflects actions required to limit global warming to under 2°C.</p>	<p>In this scenario, the world fails to curb rising CO₂e emissions by Year 2100.</p> <p>Legislation and carbon taxes are expected to play a less significant role in this scenario, whereas impacts from extreme weather events are assumed to grow in magnitude.</p> <p>This scenario is selected to assess the physical risks under a high-emission scenario, consistent with a future with limited policy changes to reduce emissions.</p>
Underlying model	<p>This model considers factors such as greenhouse gas emissions, energy transition scenarios, technological advancements, and policy developments.</p> <p>It serves as a foundation for the Group to analyse how different climate scenarios may impact its business operations, and financial performance over the short-, medium-, and long-term time horizon.</p>	<p>IPCC Representative Concentration Pathway 8.5, mostly long term.</p> <p>This model considers factors such as increased frequency of extreme weather events, rising sea levels, impacts on ecosystems, and disruptions to global supply chains.</p> <p>Climate models and scientific assessments play a key role in shaping the narrative of such scenarios.</p>
Assumption	<p>Global adoption of renewable energy, advancements in technology, regulatory frameworks, and changes in consumer behavior. Additionally, assumptions related to the physical impacts of climate change, such as sea-level rise and extreme weather events, are considered.</p> <p>This scenario assumes a collective global effort to mitigate climate change and transition towards a low-carbon economy.</p>	<p>The continuation of high greenhouse gas emissions limited global efforts to reduce carbon emissions, and a lack of significant policy measures to address climate change.</p> <p>It may also assume limited technological advancements in clean energy and low levels of international cooperation to achieve climate goals.</p>

Sustainability Report

Considering the two scenarios outlined, the Group has identified nine climate-related risks and two opportunities relevant to its businesses, strategy, and financial planning where such information is material. Hafary incorporated insights from industry reports to assess how these factors might influence its business, strategy and financial planning. The use of scenario analysis allows the Group to proactively address factors that could impact its operations in the context of climate considerations.

The increasing global mean temperature poses a significant threat in Singapore and Malaysia, potentially leading to extreme weather events which can have direct and indirect effects on the safety of Hafary’s office premises, showrooms, warehouses, and factory, as well as the overall well-being of its employees. In FY2023, the Group reviewed its approach to climate-related risk management through meeting between the COO and its external consultant. This process enhanced the Group’s understanding of climate-related risks and opportunities, providing insights into the potential effects of various scenarios on its business and the interplay between risks and opportunities. The climate-related risks and opportunities identified were assessed using an impact/likelihood assessment. The Group explored climate-related risks and opportunities across three time frames: short-term (FY2023 to FY2024), medium-term (by 2030) and long-term (by 2050).

Transition risks and opportunities

Based on the Paris-aligned scenario, which involves the actions necessary to restrict global warming to less than 2°C, the Group has identified the following transition risks and opportunities associated with this goal.

Transition Risk #1

Risk	Energy costs may fluctuate, and a carbon tax is applied to the carbon emissions of the Group
Risk Driver	Carbon tax could flow through in the form of higher electricity tariffs as power companies pass on the carbon tax to end users
Company-Specific Description	Singapore has implemented a carbon tax in 2019 of S\$5/tCO ₂ e and is set to progressively increase to S\$50-80/tCO ₂ e by 2030. In addition, Malaysia is considering implementing a carbon tax. As such, the Group is continuously monitoring and evaluating the impact of increased GHG pricing on the operations, making adjustments as needed to address any unforeseen challenges.

Transition Risk #2

Risk	Risk of regulatory changes towards enhanced emission-reporting obligations such as GRI, TCFD and etc.
Risk Driver	<ul style="list-style-type: none"> • Nationwide drive to decarbonisation; and • Increased focus on sustainability
Company-Specific Description	The evolving emission-reporting regulation and obligation will increase the indirect operating costs (e.g. professional and consultancy fee) of the Group to meet reporting requirements. Training programmes and resources were provided to employees to enhance the Group’s capability to meet reporting requirements and improve the accuracy of emissions measurement, monitoring and reporting.

Transition Risk #3

Risk	Exposure to risk of fines and penalties as a result of the Group failing to meet climate-related practices and disclosures
Risk Driver	<ul style="list-style-type: none"> • Changing investor expectation; and • Evolving and more stringent rules and regulations
Company-Specific Description	Hafary acknowledges this emerging risk and commits to disclosing potential financial impact figures if the risk materialises in future years.

Transition Risk #4

Risk	Substitution of existing products and services with lower emissions options
Risk Driver	<ul style="list-style-type: none"> • Regulatory changes; • Change in market demand and consumer preferences; and • Technological advances
Company-Specific Description	Suppliers with strong environmental credentials are preferred by Hafary which creates a market demand for sustainable products. Moreover, Hafary aims to include Group-level long-term emission reduction goals and strategies to ensure a sustained commitment to transitioning to lower-emission alternatives.

Transition Risk #5

Risk	Costs of transitioning to lower emissions technology
Risk Driver	<ul style="list-style-type: none"> • Regulatory compliance costs; and • Research and development cost
Company-Specific Description	The Group harnesses solar energy to generate environmentally friendly electricity for the headquarters, main showroom and warehouses.

Sustainability Report

Transition Risk #6

Risk	Changing customer behaviour
Risk Driver	Shifts in customer preferences and demand for low carbon products
Company-Specific Description	Hafary constantly encourages community events and activities that promote sustainability and fostering a sense of shared responsibility.

Transition Risk #7

Risk	Increased cost of raw materials
Risk Driver	<ul style="list-style-type: none"> Market dynamics; and Energy price volatility
Company-Specific Description	Hafary has been working with multiple suppliers to reduce dependency on a single source. Moreover, Hafary implements recycling programmes to recover and reuse materials within its production process which in turn reduces the reliance on new raw materials.

Opportunity #1

Opportunity	Resource Efficiency
Opportunity Driver	Initiatives and efforts in corporate events and business practices to support sustainability
Company-Specific Description	The Group has adopted one and two ticks of water and energy-efficient fixtures and fittings, LED lighting and solar power energy. Recycling of papers, digitalisation and use of glass cups at meeting rooms are practiced at the office premises. Hafary aims to capitalise on this opportunity by minimising paper usage in the office. These sustainable practices are also expected to lead to a reduction in operating costs within the Group.

Opportunity #2

Opportunity	Energy Source - Participation in carbon market
Opportunity Driver	<ul style="list-style-type: none"> Sustainability commitment; Corporate Social Responsibility; and Market differentiation
Company-Specific Description	Renewable energy produced by the photovoltaic system can be registered as Renewable Energy Certificate ("REC") and these RECs can be traded in the form of Tradable Instrument for Global Renewables ("TIGR"). This represents the Group's environmental efforts to reduce its greenhouse gas emissions and the support of clean energy production. Based on the guidelines from the Inland Revenue Authority of Singapore, the Group may be eligible for a tax deduction on the expenditure incurred for purchasing carbon credits to meet regulatory obligations.

Physical risks

Whilst not assessed as significant, there is the potential for climate-related physical risk to significantly increase over time. Hafary recognises that the future is uncertain, and as such have incorporated physical risk assessment into its climate-related risk assessment to ensure that the Group is aware of how the future may impact upon its practices. The key risks and their related impacts are explained below.

Acute Physical Risk #1

Risk	Risk of extreme weather events such as flash flood, intense rainfall and heat waves impacting properties that Hafary leases and occupies
Risk Driver	Intense rainfall and flash flood leading to urban flooding which could potentially cause damage to buildings and transportation networks
Company-Specific Description	Increased frequency of extreme weather events could result in damages to Hafary's office building, showrooms and warehouses, as well as disrupt the transportation networks used by Hafary's employees commuting to their workplace. At the same time, extreme weather events could lead to an increase in various operating expenses within the Group. However, Hafary has provided educational programmes for its employees to raise awareness about heat-related health risks. The potential financial implications will be further analysed in future sustainability reports.

Chronic Physical Risk #2

Risk	Risk of sea level rise, increase in temperature and precipitation impacting properties that Hafary leases and occupies
Risk Driver	Increased daily mean temperature and mean sea level rise leading to changes in weather patterns
Company-Specific Description	Rising global average temperatures could result in increased water and electricity costs in the Group's offices. However, Hafary has adopted water/energy-efficient fixtures and fittings to reduce overall water/energy consumption. Moreover, the Group capitalises on renewable solar energy to lower its GHG emissions. The potential financial implications will be further analysed in future sustainability reports.

Sustainability Report

Greenhouse Gas Emissions

FY2023 Greenhouse Gas Emissions Targets and Performances

Targets for FY2023	Performances in FY2023
Use solar energy to generate green electricity and reduce purchased electricity consumption by 5%	Capitalised on solar energy to generate green electricity. However, the electricity consumption rose by 635% ¹ due to the establishment of a new manufacturing plant in Malaysia
Consider replacing more vehicles with green engines or switching to lower emissions vehicles	Incorporated energy-efficient electric forklifts that does not generate Scope 1 emissions, contributing to a work environment that is both cleaner and healthier

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

consumption of natural gas from manufacturing plant in Malaysia (Scope 1 Emissions); and (iii) consumption of purchased electricity from Singapore, Malaysia and China (Scope 2 Emissions).

Emission from Mobile and On-Site Combustion (Scope 1)

Scope 1 mobile emissions refer to a wide variety of company-owned or operated vehicles, engines and equipment that generate GHG emissions through the combustion of various fuels while moving from one location to another. On the other hand, Scope 1 on-site combustion emissions refer to the direct combustion of fuels on the premises or facilities owned or controlled by the Group. It is important for companies to monitor and report these emissions as part of their commitment to understanding and mitigating their environmental impact. The burning of fossil fuels gives rise to the emission of air pollutants which has deleterious impacts, including global warming and formation of acid rain.

To further reduce its emissions, Hafary has utilised electric forklifts that are energy-efficient and produce zero Scope 1 emissions during operation, promoting a cleaner and healthier workplace. Hafary practises efficient planning of route for its motor vehicles, and regular maintenance is performed to ensure optimal engine performance and fuel consumption, which in turn reduces its GHG emissions. The Group's environmental performance of Scope 1 Emissions in FY2023 is as below:

Pollutant	CO ₂	CH ₄	N ₂ O
Emission Factor ²	2.68 kg/litre	0.000023kg/litre	0.000032kg/litre
Global Warming Potential (GWP)	1	28	265

Financial Year	FY2022	FY2023
Fuel Used	Diesel	Diesel/ Unleaded Petrol
Fuel Consumed (litre)	299,276	448,853
CO ₂ Emissions (tCO ₂ e)	802.06	37,825.57
CH ₄ Emissions (tCO ₂ e)	0.19	9.09
N ₂ O Emissions (tCO ₂ e)	2.54	119.69
Total Scope 1 Emissions (tCO₂e)	804.80	37,954.34
Number of employees	347	929
GHG Intensity (tCO₂e/employee)	2.30	40.86

¹ It was calculated by increase of electricity consumption in FY2023/ Electricity consumption in FY2022.

² Retrieved from: Guidance from GHG Protocol and Intergovernmental Panel on Climate Change (IPCC).

³ Conversion retrieved from: <https://hextobinary.com/unit/energy/from/gasoline/to/gasoline/442961>

Sustainability Report

Emission from Purchased Energy (Scope 2)

The Scope 2 GHG emissions are indirect emissions generated from the consumption of purchased energy in the form of electricity. The Group's environmental performance of Scope 2 Emissions in FY2023 is as below:

Pollutants	CO ₂
Operating Margin (OM) Grid Emission Factor (GEF)⁴	
Singapore	0.4168 kg CO ₂ /kWh
Malaysia	0.6448 kg CO ₂ /kWh
China	0.7722 kg CO ₂ /kWh
Global Warming Potential (GWP)	1
Natural Gas Consumption Emission Factor	
Malaysia	0.7410 kg CO ₂ /kWh ⁵

Financial Year	FY2022	FY2023
Electricity Consumed (kWh)	2,592,713	19,068,015
Total Scope 2 Emissions (tCO ₂ e)	1,119.40 ⁶	11,768.29
Number of Employees	347	929
GHG Intensity (tCO ₂ e/employee)	3.20	12.67

The Group's environmental performance of total GHG Emissions in FY2023 is as below:

Financial Year	FY2022	FY2023
Scope 1 Emissions	804.80	37,825.57
Scope 2 Emissions	1,119.40	11,768.29
Total GHG Emissions (tCO ₂ e)	1,924.20	49,722.64
Number of Employees	347	929
GHG Intensity (tCO ₂ e/employee)	5.60	53.52

The establishment of a new manufacturing plant in Malaysia resulted in a substantial increase in total energy usage in FY2023, consequently leading to a corresponding surge in carbon dioxide emissions. The expanded operations at the new facility increased the demand for energy resources, directly influencing the Group's carbon footprint.

Energy Consumption

FY2023 Energy Consumption Targets and Performances

Targets for FY2023	Performances in FY2023
Reduce energy intensities by 5%	Energy consumption intensity increased by 175% ⁷ due to the establishment of a new manufacturing plant in Malaysia
Adopt use of higher energy efficient features and fittings	Incorporated higher energy efficient features and fittings in its office premises, such as LED lighting, office equipment with high Energy Star ratings and solar panels

⁴ Operating Margin Grid Emission Factor ("GEF") were retrieved from GEF published by Country Government or Adopted as Clean Development Mechanism ("CDM") Standardised Baseline.

⁵ Retrieved from research studies from Malaysia Sustainable Cities Program.

⁶ The reported figure was recomputed based on the latest data to ensure a fair comparison.

⁷ It was calculated by increase of energy consumption intensity in FY2023/ Energy consumption intensity in FY2022.

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Hafary believes in creating a sustainable work environment and being conscientious in its conservative efforts through the daily endeavours and business operation. The breakdown of energy consumption by type of operating sites is tabulated as follows:

Energy Sources	FY2022	FY2023	
Renewable energy	-	Solar Energy	8.93e+12 ⁸
Non-renewable energy	-	Natural Gas	4.20e+8 ⁹
Purchased Electricity Consumption (Joules)	9.33e+12 ¹⁰	5.97e+13	
Total energy consumption (Joules)	9.33e+12	6.86e+13	
Number of Employees	347	929	
Energy consumption intensities	2.70e+10	7.39e+10	

The establishment of a new manufacturing plant in Malaysia led to a significant rise in both total energy consumption and intensities in FY2023 as compared to FY2022. At the Group level, Hafary anticipates harnessing solar energy to generate environmentally friendly electricity for the headquarters, main showroom and warehouses. This initiative aims to reduce carbon emissions, aligning with its corporate strategy to fostering a more sustainable business. Meanwhile, Hafary remains committed to reducing its energy consumption by raising awareness among employees. Specifically, the SSC has instilled a culture of environmental stewardship throughout the business operations by promoting the following:

- Turning off lights, computers and any electrical appliance when not in use;
- Setting air-conditioning systems at an optimal temperature of 25°C to conserve energy;
- Conducting regular equipment maintenance to optimise energy efficiency; and
- Incorporating energy-efficient fixtures and fittings, such as LED lights.

Water Consumption

While water consumption was not identified as a material topic in FY2023, the Group acknowledges its significance, given its recommendation by SGX as one of the 27 core ESG metrics. During FY2023, the Group utilised a total of 126.27 megalitres of water. In an effort to minimise water usage, Hafary has implemented water-efficient fixtures and fittings, categorised with one and two ticks, and has also incorporated the use of dual-flush toilet systems.

Our Targets

Moving forward, as part of Hafary's ongoing commitment to sustainable business practices, Hafary aims to proactively implement climate actions that contribute positively to the environment. The following targets, with FY2022 as the base year, have been set to underscore our dedication to environmental value addition in the business practices:

Material Topics	Short-Term Target (2024)	Medium-Term Target (2030)	Long-Term Target (2050)
Greenhouse Gas Emissions	<ul style="list-style-type: none"> • Use solar energy to generate green electricity and reduce purchased electricity consumption by 5% • Consider replacing more vehicles with green engines or switching to lower emissions vehicles • Perform scenario analysis with quantitative outcomes • Disclose GHG scope 3 emissions 	<ul style="list-style-type: none"> • Reduce CO₂e emission intensities from Scope 1 and 2 in absolute figures by 6% • Use more natural gas than electricity • Disclose more categories under Scope 3 emissions 	<ul style="list-style-type: none"> • Reduce GHG emission intensities by 10% • Adopt usage of other type of renewable sources
Energy Consumption	<ul style="list-style-type: none"> • Reduce energy intensities by 5% • Adopt use of higher energy efficient features and fittings 	<ul style="list-style-type: none"> • Reduce energy intensities by 10% • Adopt more usage of energy efficient features and fittings with two or more WELS ticks 	<ul style="list-style-type: none"> • Reduce energy intensities by 15% • Achieve 50% of features and fitting that are energy efficient and environmentally friendly

⁸ Conversion factor was adopted as 1 kWh equals to 3.6e+6 joules.

⁹ Conversion factor was adopted as 1 BTU equals to 1055 joules.

¹⁰ Conversion factor was adopted as 1 kWh equals to 3.6e+6 joules.

Sustainability Report

Social

Hafary acknowledges that employees, customers, and communities form the bedrock of a prosperous and enduring organisation. The Group is committed to empowering and nurturing the development of its staff to their fullest capabilities. As an equal-opportunity employer, Hafary upholds the principle that all aspects of employment, encompassing hiring, promotion, remuneration, and disciplinary actions, are grounded solely in factors such as performance, competence, conduct, and the needs of the business. This commitment reinforces its dedication to maintaining a fair and inclusive workplace, where individuals are valued for their contributions and treated with equity and respect. Through these principles, Hafary aims to create a work environment that not only enhances individual growth but also contributes to the overall success and longevity of the Group.

Employment Practices

FY2023 Employment Practices Targets and Performances

Target for FY2023	Performance in FY2023
Maintain average monthly turnover rate below 3%	Average monthly turnover rate is at approximately 1.36%

The Group is committed to fostering a positive, collaborative, and cohesive corporate culture that promotes the growth, development, and advancement of its employees to their fullest potential, irrespective of their backgrounds.

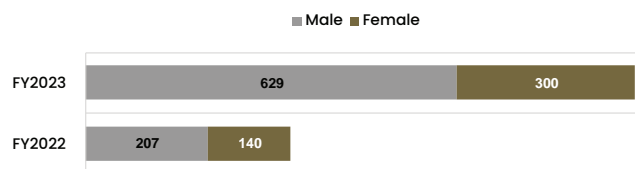
To establish an inclusive work environment centred on shared rights, fairness, and equality, Hafary has assembled an engaged, skilled, and diverse workforce. The data and statistics below provide a detailed breakdown of its workforce, clearly indicating its direction toward achieving a gender-diverse and age-diverse workforce across multiple regions. It is noteworthy that there have been no significant human rights issues raised, and its workforce composition aligns with its commitment to respecting and advocating for the human rights of its employees.

Employee Headcount by Gender

In FY2023, Hafary experienced a substantial growth in its workforce, reaching a total of 929 full-time permanent employees. This marks a significant increase of 582 employees as per recorded in FY2022, representing approximately 1.7 times rise. This surge is attributed to Guangdong ITA Element Building Materials Co., Limited (previously a joint venture) which is a subsidiary under the

Group, with a 65% ownership stake, the establishment of its new manufacturing plant in Malaysia under the newly incorporated International Ceramic Manufacturing Hub Sdn. Bhd., and the inclusion of Melmer Stoneworks Pte. Ltd. (previously a joint venture) as a new subsidiary. As of 31 December 2023, Hafary's workforce comprises 629 male employees, representing 68% of the total, and 300 female employees, accounting for the remaining 32%. The higher proportion of male employees aligns with the nature of the business, given that the production of tiles and building materials necessitates a larger number of male employees. Nonetheless, the Group is dedicated to nurturing workplace equity and ensuring equal opportunities for all its employees.

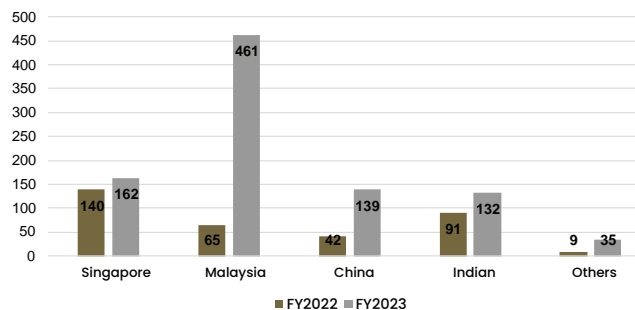
EMPLOYEE HEADCOUNT BY GENDER



Employee Headcount by Region¹¹

Hafary's workforce mainly comes from five regions, namely Singapore, Malaysia, China, India, and Other¹² Countries, with the majority from Malaysia at 50% during FY2023. The substantial increase in the number of employees, particularly in Malaysia, rising from 65 in FY2022 to 461 in FY2023, can be attributed to the establishment of the new manufacturing plant in Malaysia. Concurrently, there was an increase in number of employees in China, from 42 in FY2022 to 139 in FY2023, due to the inclusion of headcount from Guangdong ITA Element Building Materials Co., Limited (previously a joint venture).

EMPLOYEE HEADCOUNT BY REGION



New Hires by Gender

In FY2023, Hafary welcomes 686 new hires to its family, a substantial rise from 77 in FY2022, indicating an impressive 8.9 times increase. There are 486 males and 200 females, representing the rate of new hires by gender¹³ of 140%

¹¹ Employee data by region refers to the countries of origin of the employees.

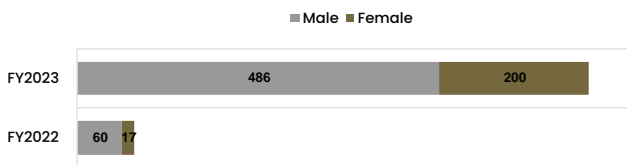
¹² The category labelled as "Others" encompasses employees originating from countries other than Singapore, Malaysia, China, and India.

¹³ The rate of new employee hires by gender during FY2023 was calculated by: Number of new hires by gender / Total employees at the beginning of reporting period.

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and 58% respectively. The number of new hires during FY2023 surpassed the total number of employees at the commencement of the period. This is attributed to the new subsidiaries, Melmer Stoneworks Pte. Ltd., Guangdong ITA Element Building Materials Co., Limited, and the new manufacturing plant in Malaysia.

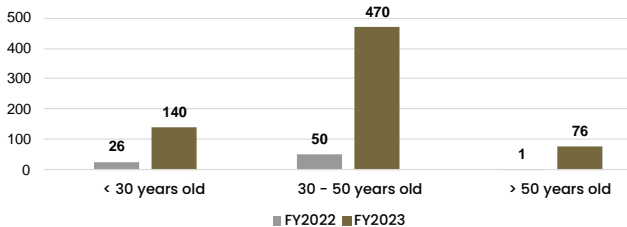
NEW HIRES BY GENDER



New Hires by Age Group

In FY2023, all age groups experienced significant growth compared to FY2022. Notably, the age group of more than 30 to less than 50 exhibited a remarkable rate of 135%¹⁴. Similarly, this surge was attributed to the new China subsidiary and the manufacturing plant in Malaysia. Meanwhile, the rate of new hires for employees less than 30 years old and over 50 years old was 40% and 22% respectively. Additionally, the number of employees over 50 years old increased by 76 times¹⁵, primarily due to the recruitment of more experienced staff in Malaysia.

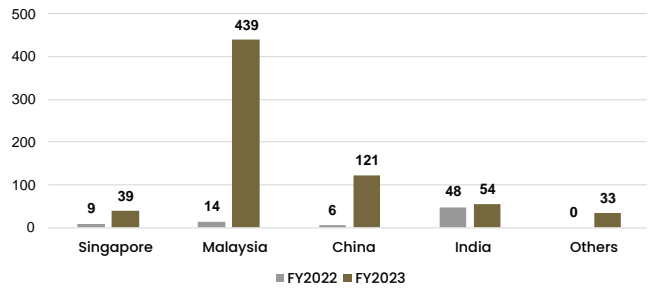
NEW HIRES BY AGE GROUP



New Hires by Region

In FY2023, Hafary's recent hires are distributed among five regions, witnessing a notable growth rate of 127%¹⁶ in Malaysia. The number of new hires from Malaysia surged significantly, escalating from 14 in FY2022 to 439 in FY2023. Substantial increases in employee hires are also evident in China, reflecting 19 times increase. This surge was attributed to the new China subsidiary and the manufacturing plant in Malaysia. Furthermore, this underscores the Group's commitment to fostering equality and fairness, without any regional or nationality discrimination. It further validates the Group's strategic approach to attract and employ global talent.

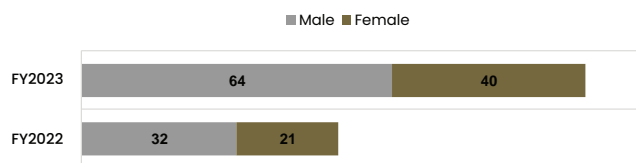
NEW HIRES BY REGION



Employee Turnover by Gender

In FY2023, Hafary observed a rise in employee turnover, increasing from 53 in FY2022 to 104, marking a 96% upturn. This equates to an annual employee turnover rate of 16.3%¹⁷ for FY2023, showcasing a slight increase compared to the 15% turnover rate in FY2022. Among the 104 turnovers in FY2023, 64 were males, and 40 were females.

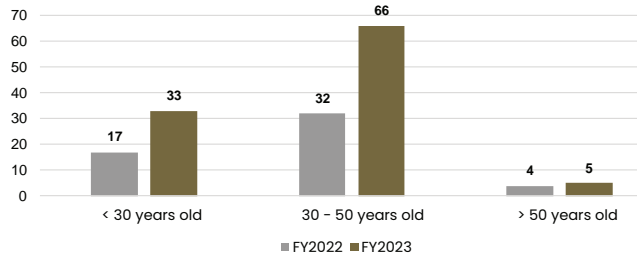
EMPLOYEE TURNOVER BY GENDER



Employee Turnover by Age Group

The overall employee turnover has seen an increase, escalating from 53 in FY2022 to 104 in FY2023. Hafary is observing an upward trend in employee turnover across all age groups. Notably, the age groups of 30 to 50 years and below 30 years have experienced higher turnover rates, standing at 10% and 5%¹⁸ respectively. This is attributed to employees in these age brackets being more inclined to seek better career prospects, contributing to the increased turnover in these categories.

EMPLOYEE TURNOVER BY AGE GROUP



¹⁴ The rate of new employee hires by age group during FY2023 was calculated by: Number of new hires by age group/ Total employees at the beginning of reporting period.

¹⁵ It was calculated by the rise in the number of employees over 50 in FY23/ Number of employees aged over 50 in FY22.

¹⁶ The rate of new employee hires by region during FY2023 was calculated by: Number of new hires by region/ Total employees at the beginning of reporting period.

¹⁷ The annual employee turnover rate during FY2023 was calculated by: Total number of employee turnover/ Average number of employees during FY2023.

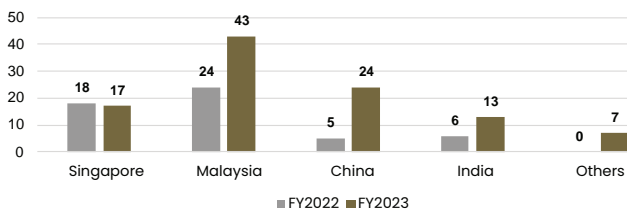
¹⁸ The employee turnover rate by age group during FY2023 was calculated by: Total number of employee turnover by age group/ Average number of employees during FY2023.

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Employee Turnover by Region¹⁹

In FY2023, employee turnover across five regions has remained relatively stable, except for a notable increase in employee turnovers in China, rising from 5 in FY2022 to 24 in FY2023. This rise is primarily attributed to Guangdong ITA Element Building Materials Co., Limited (previously a joint venture), which currently operates as a subsidiary within the Group. However, there was a decrease in employee turnover in Singapore, dropping from 18 to 17. In the 'Other Countries'²⁰, there were 7 employee turnovers in FY2023, marking an increase from zero turnovers in FY2022.

EMPLOYEE TURNOVER BY REGION



Hafary adopts fair employment protocols to attract well-suited individuals, retain its talented workforce, and cultivate a positive and nurturing corporate culture within the Group. An Employee Handbook and various policies are in place to communicate and ensure the practice of fair employment. To further retain its valued employees, Hafary offers performance bonuses, incentives, and recognise Long Service Awards for those with ten years of service. This award commends the employees for loyalty and allows Hafary to convey deep recognition and appreciation for these employees' contribution to the Group.

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

Occupational Health and Safety

FY2023 Occupational Health and Safety Targets and Performances

Target for FY2023	Performance in FY2023
Maintain zero incidents of material non-compliance with applicable laws and regulations related to COVID-19	Zero incidents of material non-compliance with applicable laws and regulations

Hafary places great emphasis on maintaining stringent standards for a safe and conducive workplace for both employees and customers. The Group has implemented effective occupational health and safety management systems to ensure that both management and employees are well-informed about emergency procedures and are adequately trained to handle and respond to such situations. Regular safety briefings and drills are conducted in compliance with ISO14001:2004 standards to ensure readiness.

A safety-first culture is deeply embedded in Hafary's business model, extending from senior management to executives across all business divisions. Both management and employees undergo training and qualification courses not only to understand all hazards within the business premises but also to equip them with the necessary skills to supervise safety, operate heavy machinery safely, respond effectively to fire incidents, and provide general first aid when necessary. The Group's Human Resources Department tracks and records any industrial incidents or injuries, and claims are filed with proper documentation. Hafary supports its employees with medical and healthcare services through provisions such as medical and hospitalisation leaves, benefits, as well as maternity, paternity, and childcare leave.

In FY2023, the Group reported zero incidents in relation to any work-related injuries, fatalities, and ill-health among its employees. The Group has obtained certifications for occupational health and safety that remain valid throughout the reporting period. These certifications, widely acknowledged in the industry, establish a robust framework for risk management associated with occupational health and safety:

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

¹⁹ Employee data by region refers to the countries of origin of the employees.

²⁰ The category labelled as "Others" encompasses employees originating from countries other than Singapore, Malaysia, China, and India.

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Training and Development

FY2023 Training and Development Targets and Performances

Target for FY2023	Performance in FY2023
Offer internal and external trainings that are essential and beneficial to the development and career progression of its employees at all levels	Provided both internal and external training opportunities to enhance the development and career advancement of its employees across all levels
Continue annual sustainability training for the Group and its employees	Maintained annual sustainability training for both the Group and its employees

Hafary strongly values continuous learning as a cornerstone for personal and professional advancement, growth, and enrichment. Its staff actively engages in a variety of internal and external training initiatives, aiming not only to meet mandatory compliance requirements but also to stay updated on emerging industry trends.

In FY2023, an inclusive range of training and development initiatives is available for employees at all levels, spanning from executives to top-tier senior management. To ensure awareness and education, workplace safety briefings and training sessions are provided, covering inherent safety and operational risks in all business activities. Training encompasses industry-specific and trade skills, as well as instruction in first aid and heavy equipment operation. This facilitates the acquisition of necessary credentials and licenses to ensure a smooth and safe engagement in client projects and business activities, including the proper operation of machinery and equipment. Directors, especially those lacking prior experience or newly appointed, have the opportunity to undergo training for a clear understanding of their responsibilities and obligations within the Group. This includes addressing governance, enterprise risk management, and compliance matters related to statutory and regulatory requirements.

The Group has been committed to fostering continuous learning, and the average training hours are outlined below, categorised by gender and employee level:

Material Topics	FY2022	FY2023
Male	11	4
Female	1	3
Senior Management Level	3	1
Middle Management Level	3	10
Executive Level	10	1

In FY2023, the total training hours for male employees slightly increased compared to FY2022. However, due to the surge in the total number of male employees in FY2023, the average training hours for male employees decreased from 11 to 4. Conversely, the total training hours for female employees showed a sixfold increase, translating to a threefold increase in average training hours for female employees in FY2023 compared to FY2022.

The average training hours witnessed a significant rise for middle management levels, increasing from 3 hours in FY2022 to 10 hours in FY2023, representing more than a threefold increase. The average number of training hours for executive levels dropped from 10 hours to 1 hour, primarily due to the increase in the number of employees at the executive level.

In FY2023, all employees, irrespective of gender or employment category, underwent their annual performance and career development reviews, conducted by respective department heads to assess work performance and career progression. Meanwhile, work-related feedback was sought from employees to enhance their working environment.

Local Communities

FY2023 Local Communities Targets and Performances

Target for FY2023	Performance in FY2023
Promote corporate social responsibility through charitable initiatives, supporting more social causes, and active social contributions	Actively participated in corporate social responsibility by providing financial assistance and supporting a variety of charities and organisations

Sustainability Report

Hafary strongly supports corporate social responsibility and is committed to making meaningful contributions to society. In FY2023, the Group has dedicated itself to participating in charitable events, making donations, providing cash sponsorships, and expressing support for seven specific causes related to offering financial assistance and supporting a variety of charities and organisations. These corporate initiatives aimed at generating social impact and returns encompass the following causes:

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

Our Targets

Moving forward, the Group's commitment to corporate social responsibility remains unwavering. Hafary will continue to actively take part in charity events, campaigns, and worthwhile causes. The aim is to generate positive social impact and returns through dedicated community service, while also advocating and supporting relevant benevolent initiatives. With this in mind, the following targets, using FY2022 as the base year, have been established:

Material Topics	Short-Term Target (2024)	Medium-Term Target (2030)	Long-Term Target (2050)
<ul style="list-style-type: none"> • Employment Practices 	<ul style="list-style-type: none"> • Improve talent acquisition and employee retention • Increase diversity of employees • Maintain average monthly turnover rate below 3% • Engage more staff welfare campaigns to maintain employee well-being 	<ul style="list-style-type: none"> • Maintain gender, regional and age diversity of workforce • Maintain average monthly turnover rate below 3% • Engage more staff welfare campaigns to maintain employee well-being 	
<ul style="list-style-type: none"> • Occupational Health and Safety 	<ul style="list-style-type: none"> • Maintain zero incidents of material non-compliance with applicable laws and regulations 	<ul style="list-style-type: none"> • Maintain zero incidents of material non-compliance with all applicable health and safety laws, as well as regulations concerning the health and safety of the operations • Maintain zero incidents related to work-related injuries, fatalities, or ill-health 	
<ul style="list-style-type: none"> • Training and Development 	<ul style="list-style-type: none"> • Offer internal and external trainings that are essential and beneficial to the development and career progression of its employees at all levels • Continue annual sustainability training for the Group and its employees 	<ul style="list-style-type: none"> • Continue providing internal and external training courses and programmes • Increase the average training man-hours by 5% • Continue annual sustainability training for the Group and its employees 	<ul style="list-style-type: none"> • Continue providing internal and external training courses and programmes • Increase the average training man-hours by 10% • Continue annual sustainability training for the Group and its employees
<ul style="list-style-type: none"> • Local Communities 	<ul style="list-style-type: none"> • Engage in charitable initiatives, supporting social causes, and active community contributions at least once a year 	<ul style="list-style-type: none"> • Increase frequency of engagement in charitable initiatives, supporting social causes, and active community contributions 	

Sustainability Report

Governance

The Board and Management are both committed to upholding high ethical standards and adhering to effective corporate governance practices to foster the Group's enduring sustainability. Employing strong internal controls and a dedicated corporate governance approach, the Group strives to generate value for stakeholders within a principled and ethical corporate setting. Aligned with the guidelines outlined in the Singapore Code of Corporate Governance 2018, the Group implements various sustainability measures to integrate the principles of sound governance, ensuring the long-term sustainability of its operations across various jurisdictions and performance indicators.

Business Conduct and Ethics

FY2023 Business Conduct and Ethics Targets and Performances

Targets for FY2023	Performances in FY2023
Maintain zero incidents of non-compliance and violations with the Singapore Code of Corporate Governance 2018	Zero incidents of non-compliance and violations with the Singapore Code of Corporate Governance 2018
Maintain zero incidents of non-compliance and violations with Code of Business Ethics and Conduct and non-discrimination	Zero incidents of non-compliance and violations with Code of Business Ethics and Conduct and non-discrimination
Maintain zero incidents of material non-compliance with all applicable law and regulations	Zero incidents of material non-compliance with all applicable law and regulations
Ensure all significant allegations received are promptly addressed, if any	Zero significant allegations reported and received
Ensure human rights concerns and directive are recognised at the Board level and adopted through the value chain through risks and impact identification, prevention, and mitigation	Successfully met the targets by ensuring that human rights concerns and directives are acknowledged at the Board level and systematically integrated throughout the entire value chain

Hafary is committed to conduct its business with ethics and transparency. The Group strongly emphasises the significance of maintaining the highest standards of business conduct and ethics across all aspects of its operations to all its employees. The Group conducts all business transactions with the utmost integrity, professionalism, and transparency, demonstrating an unwavering dedication to respecting human rights. This commitment is further demonstrated through the effective management of conflicts of interest and the implementation of whistleblowing policies.

Management of Conflicts of Interest

Hafary has established a Code of Conduct for Ethics within the Group, designed to provide guidance to directors and employees regarding any ethical risks. This code creates a framework in which integrity and accountability are emphasised as fundamental principles of ethics and professionalism. It outlines the expected ethical and professional conduct for all directors and employees, emphasising the importance of performing fiduciary duties and job responsibilities objectively, always in the best interests of the Group.

Directors and employees are required to promptly disclose any potential or actual conflict of interest related to their responsibilities within the Group to the Human Resources Department. This disclosure is expected as soon as they become aware of any circumstances that might lead to an actual or perceived conflict. In cases of conflict of interest, individuals must recuse themselves from the entire process, refraining from participating in deliberations, decision-making, and voting matters.

To address potential conflicts of interest, the Audit Committee ("AC") is responsible for reviewing, preventing, and mitigating such situations whenever they arise. The proactive involvement of the AC ensures that conflicts are appropriately managed, aligning with the commitment to ethical conduct and professionalism within the Group.

Please refer to pages 52–53 of the Annual Report for FY2023 for more information on Hafary's management of Conflicts of Interest.

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Whistleblowing Policy

The Group has implemented a whistleblowing policy to enable all employees and external parties to express concerns regarding actual or perceived misconduct, financial or non-financial malpractice, or irregularities within the Group. This policy allows employees or any other individual to report suspicions of wrongdoing, violations of relevant laws, regulations, or policies, and/or failure in internal controls impacting the Group to the AC. The primary aim of this reporting mechanism is to facilitate impartial investigations into valid concerns and ensure timely and suitable follow-up actions.

Please refer to page 80 of the Annual Report for FY2023 for more information on Hafary's whistleblowing policy.

Legal & Regulatory Compliance

Ensuring compliance with all relevant local and international laws and regulations in various jurisdictions is a top priority for Hafary. To keep abreast of any changes in existing laws and regulations and/or introduction of new ones, Hafary's legal advisors provide us with their professional advice regarding these updates. This commitment is crucial for building trust and goodwill among its stakeholders and solidifying its position in the building materials industry.

Furthermore, the Group's labour standards policy aligns with the regulations and guidelines set by the Ministry of Manpower. This policy prohibits discrimination, child labour, and forced labour across all aspects of its operations and business activities involving associates, contractors, and subcontractors. The implementation of structured labour standards underscores Hafary's commitment to socially responsible conduct, human rights protection, and the promotion of equality and fairness while prohibiting discriminatory practices, and any form of inhumane treatment. In FY2023, there were no incidents of non-compliance and violations of any applicable laws and regulations for any instance where fines and/or non-monetary sanctions were incurred.

Anti-corruption Practices

FY2023 Anti-corruption Practices Targets and Performances

Target for FY2023	Performance in FY2023
Maintain zero public cases and confirmed incidents of corruption of any nature brought against the Group or its employees	Zero public cases and confirmed incidents of corruption of any nature brought against the Group or its employees
Ensure values of human rights aligns with good governance in related to anti-corruption	Ensure that the values of human rights align with good governance in related to anti-corruption

As a Mainboard-listed Group on the SGX with a global presence, Hafary is committed to adhering to all pertinent local and international laws and regulations pertaining to any form of corruption. The Group is dedicated to upholding the highest ethical and legal standards in its business operations.

Hafary maintains a steadfast commitment against all forms of corruption, encompassing activities such as bribery, extortion, fraud, and money laundering. The AC conducts reviews and consultations with both the External Auditors and Internal Auditors, if applicable, regarding any suspected fraud, irregularities, or breaches of pertinent laws, rules, and regulations that could significantly impact the Group's operating results or financial position. Subsequently, the AC collaborates with the Management to ensure an appropriate response and action taken to address the report. Additionally, the establishment of anti-corruption practices introduces checks and balances, underscoring Hafary's dedication to enhancing accountability, promoting transparency, and fostering increased participation - three fundamental attributes of good governance in alignment with the commitment to advocate for human rights and equality.

The communication of the anti-corruption policy and procedures has been effectively conveyed, and relevant training has been provided to the Group's governing bodies, including the Board of Directors and Management Committee. This effort is aimed at enhancing awareness and equipping them with the essential skills to address and prevent corruption. In addition, an internal enterprise risk management team has been established to oversee anti-corruption measures and the associated risks. From FY2020 to FY2023, there have been no public disclosed cases or confirmed incidents of corruption involving the

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Group or its employees. Instances such as employee dismissals or disciplinary actions related to corruption, as well as contract terminations or non-renewals with business partners due to corruption violations, have not been reported.

Our Targets

Hafary’s main focus lies in cultivating a strong corporate governance culture and ensuring rigorous adherence to all applicable laws, regulations, and rules in the regions of its operation. This commitment underscores its steadfast dedication to ethical business conduct, accountability, and transparency. The objectives for governance-related material topics within the Group are enduring and are outlined as follows:

Material topics	Perpetual Target
Business Conduct and Ethics	<ul style="list-style-type: none"> Maintain zero incidents of non-compliance and violations with the Singapore Code of Corporate Governance 2018 Maintain zero incidents of non-compliance and violations with Code of Business Ethics and Conduct and non-discrimination Maintain zero incidents of material non-compliance with all applicable law and regulations Ensure all significant allegations received are promptly addressed, if any Ensure human rights concerns and directive are recognized at the Board level and adopted through the value chain through risks and impact identification, prevention, and mitigation
Legal & Regulatory Compliance	<ul style="list-style-type: none"> Maintain zero incidents of non-compliance and violations of any applicable laws and regulations for any instance where fines and/or non-monetary sanctions were incurred
Anti-corruption Practices	<ul style="list-style-type: none"> Maintain zero public cases and confirmed incidents of corruption of any nature brought against the Company or its employees Ensure values of human rights aligns with good governance in related to anti-corruption

Economic

Hafary is dedicated to becoming the leading provider of building materials, aiming for strong and sustainable economic success. The Group aims to exceed customer expectations through its expansive global network, strong corporate relationships, efficient inventory management, and extensive experience in the building material industry. Hafary’s goal is to offer competitive and innovative products for its clients’ projects, improve operational efficiency, and provide outstanding customer service. Ultimately, the Group strives to generate long-term value for all stakeholders, promote growth and scalability, and enhance profitability.

For the Group’s detailed financial results, please refer to the following sections of Hafary’s Annual Report for FY2023:

- Financial Highlights, pages 20 to 21
- Financial Review, pages 22 to 29
- Financial Statements, pages 100 to 185

The Group’s goal is to consistently enhance shareholder value and minimise the risk of substantial tax penalties. Hafary will exercise caution in response to unpredictable and fluctuating market conditions, remaining vigilant in addressing increasing costs influenced by inflationary pressures. With the overarching objective of boosting profitability, Hafary will concurrently work on improving its operational efficiencies.

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GRI Content Index

Hafary Holdings Limited has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

GRI Standard	Disclosure Number & Title	Section Reference	
GRI 1: Foundation 2021	2-1 Organisational details	Annual Report: Corporate Profile	
	2-2 Entities included in the organisation's sustainability reporting	Annual Report: Corporate Profile	
	2-3 Reporting period, frequency and contact point	Sustainability Report: About this report	
	2-4 Restatements of information	Sustainability Report: Restatement	
	2-5 External assurance	Hafary has not sought external assurance for this reporting period, and may consider it in the future	
	2-6 Activities, value chain and other business relationships	Annual Report: Corporate Profile Annual Report: Corporate Governance Statement	
	2-7 Employees	Sustainability Report: Social	
	2-8 Workers who are not employees	Hafary do not have worker who are not employees and whose work is controlled by the Group	
	2-9 Governance structure and composition	Annual Report: Corporate Governance Statement Sustainability Report: Our Sustainability Steering Committee	
	2-10 Nomination and selection of the highest governance body	Annual Report: Corporate Governance Statement	
	2-11 Chair of the highest governance body	Annual Report: Corporate Governance Statement	
	2-12 Role of the highest governance body in overseeing the management of impacts	Annual Report: Corporate Governance Statement	
	2-13 Delegation of responsibility for managing impacts	Annual Report: Corporate Governance Statement Sustainability Report: Our Sustainability Steering Committee	
	GRI 2: General Disclosures 2021	2-14 Role of the highest governance body in sustainability reporting	Annual Report: Corporate Governance Statement
		2-15 Conflicts of interest	Annual Report: Corporate Governance Statement
		2-16 Communication of critical concerns	Annual Report: Corporate Governance Statement
		2-17 Collective knowledge of the highest governance body	Annual Report: Corporate Governance Statement
		2-18 Evaluation of the performance of the highest governance body	Annual Report: Corporate Governance Statement
		2-19 Remuneration policies	Annual Report: Corporate Governance Statement
		2-20 Process to determine remuneration	Annual Report: Corporate Governance Statement
		2-21 Annual total compensation ratio	This covers confidential information and are not to be disclosed due to confidentiality reasons
		2-22 Statement on sustainable development strategy	Annual Report: Corporate Governance Statement Sustainability Report: Our Sustainability Steering Committee
		2-23 Policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> • Governance - Business Conduct and Ethics • Governance - Legal & Regulatory Compliance
		2-24 Embedding policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> • Governance - Business Conduct and Ethics • Governance - Legal & Regulatory Compliance
		2-25 Processes to remediate negative impacts	Annual Report: Corporate Governance Statement
		2-26 Mechanisms for seeking advice and raising concerns	Annual Report: Corporate Governance Statement

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GRI Standard	Disclosure Number & Title	Section Reference
	2-27 Compliance with laws and regulations	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> Governance – Business Conduct and Ethics Governance – Legal & Regulatory Compliance
	2-28 Membership associations	<ul style="list-style-type: none"> Building and Construction Authority Singapore Business Federation Singapore Renovation Contractors and Material Suppliers Association
	2-29 Approach to stakeholder engagement	Sustainability Report: Stakeholder Engagement
	2-30 Collective bargaining agreements	There are no collective bargaining agreements in place
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Report: Materiality Assessment
	3-2 List of material topics	
	3-3 Management of material topics	
Topic-specific disclosure		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainability Report: <ul style="list-style-type: none"> Economic TCFD Climate Risk Analysis
	201-2 Financial implications and other risks and opportunities due to climate change	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Sustainability Report: <ul style="list-style-type: none"> Greenhouse Gas Emissions Energy Consumption
	302-3 Energy intensity	
	302-5 Reductions in energy requirements of products and services	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Sustainability Report: Greenhouse Gas Emissions
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-4 GHG emissions intensity	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report: Employment Practices
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Sustainability Report: Occupational Health and Safety
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-9 Work-related injuries	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report: Training and Development
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Sustainability Report: <ul style="list-style-type: none"> Social – Employment Practices Governance – Business Conduct and Ethics
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Sustainability Report: Legal & Regulatory Compliance
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability Report: Legal & Regulatory Compliance
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Sustainability Report: Social – Local Communities

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TCFD Disclosures

Governance		
TCDF 1(a)	Describe the board's oversight of climate-related risks and opportunities.	Sustainability Report: Roles and responsibilities of the SSC
TCFD 1(b)	Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy		
TCFD 2(a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Sustainability Report: <ul style="list-style-type: none"> • Our Sustainability Steering Committee • TCFD Climate Risk Analysis
TCFD 2(b)	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	
TCFD 2(c)	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management		
TCFD 3(a)	Describe the organisation's processes for identifying and assessing climate-related risks.	Sustainability Report: Roles and responsibilities of the SSC
TCFD 3(b)	Describe the organisation's processes for managing climate-related risks.	
TCFD 3(c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and Targets		
TCFD 4(a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Sustainability Report: Metrics and Targets
TCFD 4(b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	
TCFD 4(c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

Corporate Information

Board of Directors

Ong Beng Chye

Independent Non-Executive Chairman

Low Kok Ann

Executive Director and CEO

Datuk Edward Lee Ming Foo, JP

Non-Independent Non-Executive Director

Low See Ching

Non-Independent Non-Executive Director

Cheah Yee Leng

Non-Independent Non-Executive Director

Yong Teak Jan @ Yong Teck Jan

Non-Independent Non-Executive Director

Terrance Tan Kong Hwa

Independent Director

Foo Yong How

Independent Director

Audit Committee

Ong Beng Chye | Chairman

Terrance Tan Kong Hwa

Foo Yong How

Nominating Committee

Terrance Tan Kong Hwa | Chairman

Ong Beng Chye

Foo Yong How

Remuneration Committee

Foo Yong How | Chairman

Terrance Tan Kong Hwa

Ong Beng Chye

Company Secretary

Tay Eng Kiat Jackson

Registered Office/Headquarters

105 Eunos Avenue 3 | Hafary Centre |

Singapore 409836

Tel: (65) 6383 2314 | Fax: (65) 6253 4496

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue | #14-07 Keppel Bay Tower |

Singapore 098632

Share Listing

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

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

Independent Auditor

RSM SG Assurance LLP

8 Wilkie Road | #03-08 Wilkie Edge | Singapore 228095

Partner-in-charge: Tay Hui Jun, Sabrina

Effective from reporting year ended 31 December 2021

Internal Auditor

BDO Advisory Pte Ltd

600 North Bridge Road | #23-01 Parkview Square |

Singapore 188778

Legal Advisors

TSMP Law Corporation

6 Battery Road, Level 5 | Singapore 049909

Principal Bankers

CIMB Bank Berhad

DBS Bank Limited

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

The Hongkong And Shanghai Banking

Corporation Limited

United Overseas Bank Limited

Corporate Governance Statement

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

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

THE BOARD'S CONDUCT OF AFFAIRS

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

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

The Board comprises eight (8) Directors as follows:

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

At least one-third of the Board is made up of Independent Directors who have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively to the Company. All Directors are expected, in the course of carrying out their duties, to act in good faith, provide insights and discharge their duties and responsibilities in the interests of the Group. The Board has adopted a Code of Conduct and Ethics for Directors ("Code of Conduct") which serves to guide the Directors on the areas of ethical risk and sets a framework where integrity and accountability are paramount as well as ethical conduct expected from the Directors in the performance of their duties. Directors should strive to adhere to the Code of Conduct. The Company has in place practices to address potential conflicts of interests. All Directors are required to notify the Company promptly of all conflicts of interest as soon

Corporate Governance Statement

as practicable as well as when required and refresh the required declarations annually. Where an actual, potential and perceived conflict of interest arises, the concerned Directors must recuse themselves from discussions and decisions involving the matter and abstain from voting on the resolution relating to the matter. The Board has established the Terms of Reference of the Board to promote high standards of corporate governance. The Terms of Reference of the Board outline high level duties and responsibilities of the Board and matters that are specifically reserved for the Board. It is a comprehensive reference document for Directors on matters relating to the Board and its processes, as well as role and responsibilities of the Board, its committees and management to ensuring effective communication and decisions.

The Board's role is to:

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

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

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

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

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. The orientation for new Directors includes visits to the Group's key premises to familiarise themselves with the Company's operations. Such visits also allow new Directors to get acquainted with senior management, thereby facilitating interaction with the Board and independent access to senior management. Appropriate training shall be arranged upon request by newly-appointed Directors to ensure that newly-appointed Directors are fully aware of their responsibilities and

Corporate Governance Statement

obligations as Directors. Rule 210(5)(a) of the Listing Manual (“Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) requires a Director who has no prior experience as a Director of a company listed on the SGX-ST, to attend the training programmes conducted by the Singapore Institute of Directors (“SID”) as prescribed in Practice Note 2.3 of the Listing Manual of the SGX-ST. There is no new appointment in the financial year ended 31 December 2023 (“FY2023”).

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

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

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

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

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

- a) The appointment of Directors to the Board and senior management staff;
- b) Major investments decisions of the Group, including new investments and any increase in existing investments in businesses and the subsidiaries of the Group;

Corporate Governance Statement

- c) Any divestments to be undertaken by any of the Group's subsidiaries;
- d) Major funding decisions, including share issuances;
- e) Interim and final dividends and other returns to shareholders;
- f) Commitments to borrowing facilities from banks and financial institutions by the Company;
- g) Interested person transactions;
- h) Acquisitions and disposal of assets exceeding the limits set by the Board;
- i) Expenditures exceeding the limits set by the Board; and
- j) The Group also has internal guidelines which set out, among others, the authorisation limits granted to the management for approval of capital and operating expenditures.

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

Provision 1.4 of the Code:
Board committees

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

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

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

Corporate Governance Statement

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

Attendance of the Directors at scheduled meetings of the Board and Board Committees during FY2023 is as follows:

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

Note:

* Attended by invitation

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

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

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

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

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

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

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

Corporate Governance Statement

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

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

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

BOARD COMPOSITION AND GUIDANCE

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

Provision 2.1 of the Code: Director's Independence

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

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

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

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

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

Corporate Governance Statement

Under Rule 210(5)(d)(iv) of the Listing Manual of SGX-ST, a director will no longer be considered independent if he has been a director of the company for an aggregate period of more than nine years. However, such director may continue to be considered independent until the conclusion of the next Annual General Meeting (“AGM”) of the issuer. Rule 210(5)(d)(iv) of the Listing Manual of SGX-ST takes effect for an issuer’s AGM for the financial year ending on or after 31 December 2023.

As at the end of FY2023, Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa who have served on the Board beyond nine years from the date of their first appointments will be stepping down as Independent Directors at the conclusion of the Company’s forthcoming AGM.

Mr Ong Beng Chye will, upon cessation as independent director of the Company, cease to be the Lead Independent Director, Chairman of the Board, Chairman of the AC and a member of NC and RC at the conclusion of the AGM.

Mr Terrance Tan Kong Hwa will, upon cessation as independent director of the Company, relinquish as Chairman of the NC and a member of AC and RC at the conclusion of the AGM.

The Company is in the process of identifying suitable candidates to fill the vacancies in the AC, NC and RC and will make the appropriate announcements to update shareholders in due course.

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

The Company has in place the Board Diversity Policy with a view to achieving a sustainable and balanced development as the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Company’s Board Diversity Policy endorses the principle that its Board should have the balance of skills, knowledge, experience and other aspects of diversity that supports the Company in the pursuit of its strategic and business objectives, and its sustainable development. The Policy seeks to promote the inclusion of different perspectives, ideas and insights and ensure that the Company can benefit from all available sources of talents.

In designing the Board’s composition and selection of new Board members, the Board strives to ensure that:

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

Corporate Governance Statement

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

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

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

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

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

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

If there is a need for Board renewal or adding in new member, the Board will abide by the Board Diversity Policy in its search of new or additional director candidate. The Board is of the view that gender and age are important aspects of diversity and will take into consideration when sourcing for suitable director, when appropriate. Moving forward, if required, the Company may engage external consultant to search for appropriate and suitable candidate to the Board.

Corporate Governance Statement

The skills matrix which classifies into the following core competencies, skills, experiences and knowledge of Directors:

Balance and Diversity of the Board	Number of Directors	Proportion of the Board
Core Competencies		
Accounting or finance related	4	50%
Business and management experience	7	87.5%
Legal and Regulatory	3	37.5%
Relevant industry knowledge	4	50%
Strategic planning experience	5	62.5%
Human Resource Management	2	25%
Gender		
Male	7	87.5%
Female	1	12.5%
Age Group		
41 – 50	2	25.0%
51 – 60	4	50.0%
61 – 70	1	12.5%
71 – 80	1	12.5%
Independent Directors been with the Company		
> 9 years	2	25%
Independence		
Independent directors	3	37.5%
Non-Independent directors	5	62.5%
Directors' Citizenship		
Singapore Citizen	4	50.0%
Malaysia Citizen	4	50.0%

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

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

Corporate Governance Statement

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

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

Provision 3.3 of the Code: Lead Independent Director

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

Principle 4 of the Code: BOARD MEMBERSHIP

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

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

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

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

Provision 4.2 of the Code: Composition of the NC

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

Corporate Governance Statement

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

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

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

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

- a) Datuk Edward Lee Ming Foo, JP;
- b) Mr Yong Teak Jan @ Yong Teck Jan; and
- c) Mr Foo Yong How (Fu Yonghao).

The Board has accepted the NC's recommendations of the above re-elections of Directors and Datuk Edward Lee Ming Foo, JP, Mr Yong Teak Jan @ Yong Teck Jan and Mr Foo Yong How (Fu Yonghao) have offered themselves for re-election at the forthcoming AGM. Please refer to "Board of Directors" and "Additional Information on Directors Seeking Re-election" sections of the Annual Report for details and information of the above Directors.

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On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced Listing Rule changes to limit to nine years the tenure of Independent Directors serving on the boards of listed companies and to remove the two-tier vote mechanism for listed companies to retain long-serving Independent Directors who have served for more than nine years. The two-tier vote was removed on 11 January 2023. To facilitate the transition, Independent Directors whose tenure exceeds the nine-year limit can continue to serve as independent directors until the listed companies' AGM held for the financial year ending on or after 31 December 2023. In view of the change, the Company will look for suitable candidates to be appointed as directors in place of Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa.

Datuk Edward Lee Ming Foo, JP will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director and will be considered non-independent.

Mr Yong Teak Jan @ Yong Teck Jan will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director and will be considered non-independent.

Mr Foo Yong How (Fu Yonghao) will, upon re-election as Director of the Company, remain as Independent Director, Chairman of RC and Member of NC and AC and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

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

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

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

- a) Expertise and experience of the candidate and whether they have discharged their duties adequately as Directors of the Company, officers of other companies and/or professionals in the area of expertise;
- b) Independence of the candidate (for Independent Directors);
- c) Appointment or re-appointment will not result in non-compliance with any composition requirements for the Board and Board Committees; and

Corporate Governance Statement

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

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

The Board of the Company does not comprise any alternate Director. No alternate Director was appointed during FY2023.

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

Provision 4.4 of the Code: Circumstances affecting Directors' Independence

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

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

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

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

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

Corporate Governance Statement

The NC is satisfied that sufficient time and attention were given by the Directors to the affairs of the Company during FY2023, notwithstanding that they hold directorships in other listed companies and have other principal commitments, and will continue to do so in FY2024.

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

BOARD PERFORMANCE

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

Provision 5.1 and 5.2 of the Code:

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

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

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

During the FY2023, the NC met once and assessed the Board, Board Committees and individual Directors. The NC was satisfied with the outcome of the evaluations and both the NC and the Board are of the view that the Board has met its performance objectives for FY2023. No external facilitator was engaged in the performance assessment.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Provision 6.2 of the Code: Composition of RC

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

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<p>Provision 6.1 of the Code: RC to recommend remuneration framework and packages</p>	<p>The key Terms of Reference of the RC are as follows:</p> <ul style="list-style-type: none"> a) Review and recommend to the Board a general framework of remuneration for the Board and key management personnel; b) Review and recommend to the Board the specific remuneration packages for each Director and key management personnel; c) Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors; d) Determine the appropriateness of the remuneration of Non-Executive Directors taking into consideration their effort, time spent, responsibilities and level of contribution; e) Review the ongoing appropriateness and relevance of the Company's remuneration policy; f) Administer the Hafary Performance Share Plan ("Hafary PSP") and any other share option scheme established from time to time for the Directors and the management; g) Work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and h) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or SGX Listing Rules (Mainboard).
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The recommendations of the RC shall be submitted for endorsement by the Board. The RC covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, grant of shares and share options and benefits-in-kind. Each RC member shall abstain from voting on any resolutions in respect of his remuneration package.

<p>Provision 6.3 of the Code: RC to consider and ensure are aspects of remuneration are fair.</p>	<p>The RC is responsible for all aspects of remuneration, including termination terms.</p> <p>The Non-Executive Directors and Independent Directors do not have service agreements with the Company. The Non-Executive Directors and Independent Directors received Directors' fees which are recommended by the Board for approval at the Company's AGM.</p>
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Corporate Governance Statement

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

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

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

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

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

Provision 6.4 of the Code:
Expert advice on
remuneration

The RC members are familiar with management compensation matters as they manage their own businesses and/or are holding Directorships in other listed companies. If necessary, the RC may seek professional advice on remuneration of all Directors. During FY2023, no external remuneration consultants were engaged.

LEVEL AND MIX OF REMUNERATION

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

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

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

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

Remuneration of the Executive Director and CEO and Group's key management personnel comprise a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component which comprises bonuses is linked to the performance of the Company and the individual. In FY2023, variable or performance related income/bonus made up between 18% to 87% of the total remuneration of the Executive Director and CEO and each of the Group's key management personnel. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholder value creation.

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

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

Long term incentive schemes are provided in the form of Hafary PSP for eligible employee. Details of the Hafary PSP are disclosed in the Statement by Directors and in this Statement. During FY2023, no performance shares were granted, vested or cancelled under the Hafary PSP.

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

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

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DISCLOSURE ON REMUNERATION

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

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

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

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

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

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

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

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

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

- (a) the commercial sensitivity and confidential nature of remuneration matters;
- (b) the rationale for the existing disclosure of remuneration of the top five key management personnel (who are not Directors) of the Group in bands of S\$250,000 – the Company does not disclose the aggregate remuneration paid to each of such individuals in view of the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group; in addition, such disclosure of specific remuneration information may encourage inappropriate peer comparisons and discontent and may, in certain cases, give rise to recruitment and talent retention issues – this rationale would equally apply to the disclosure of the aggregate remuneration paid to our Executive Director and CEO;
- (c) the existing disclosure relating to how the Executive Director and CEO's remuneration package is aligned with the interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration; and
- (d) the relative size of the Group, the competitive business environment in which the Group operates in, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level and key management personnel level on a long-term basis.

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

A breakdown showing the band and mix of each Director's remuneration for the FY2023 is as follows:

Remuneration band and name of Director	Directors' fee (%)	Salary, CPF and allowance (%)	Variable or performance related bonus (%)	Total (%)
S\$2,250,000 to S\$2,499,999				
Mr Low Kok Ann	–	10	90	100
Below S\$250,000				
Datuk Edward Lee Ming Foo, JP	100	–	–	100
Mr Low See Ching	100	–	–	100
Ms Cheah Yee Leng	100	–	–	100
Mr Yong Teak Jan @ Yong Teck Jan	100	–	–	100
Mr Ong Beng Chye	100	–	–	100
Mr Terrance Tan Kong Hwa	100	–	–	100
Mr Foo Yong How	100	–	–	100

Corporate Governance Statement

A breakdown showing the band and mix of remuneration of each top 5 key management personnel's (who are not Directors or CEO of the Company) for FY2023 is as follows:

Remuneration band and name of key management personnel	Fixed salary (%)	Variable or performance-related bonus (%)	Total (%)
S\$250,000 to S\$499,999			
Mr Goh Keng Boon Frank	58	42	100
Mr Tay Eng Kiat Jackson	77	23	100
Below S\$250,000			
Mr Tay Chye Heng Stephen	84	16	100
Mr Koh Yew Seng Mike	74	26	100
Ms Lee Yee Fei	74	26	100

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO of the Company) for FY2023 was S\$1,260,000.

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

Provision 8.2 of the Code:
Remuneration disclosure
of related employees

During FY2023, the Group did not have any employees with remuneration exceeding S\$100,000, who (i) is a substantial shareholder of the Company; or (ii) is an immediate family member of a Director or the CEO, or a substantial shareholder of the Company.

Provision 8.3 of the Code:
Details of employee
share schemes

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

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

Corporate Governance Statement

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

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

Members of the Plan Committee:

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

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

During FY2023, no Awards were granted, vested and cancelled under the Hafary PSP.

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

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

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ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Based on the internal controls established and maintained by the Group, regular audits, monitoring and reviews performed by the Internal and External Auditor, review of the risk assessment reports, assurance from the Executive Director and CEO, the Group's COO and Group's FC and reviews performed by the management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls (including financial, operational, compliance risks and information technology controls) and risk management systems in place are adequate and effective in addressing the financial, operational, compliance risks and information technology risks as at 31 December 2023 which the Group considers relevant and material to its current business scope and environment.

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

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AUDIT COMMITTEE

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

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

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

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

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

- a) Review the financial statements and the independent auditor's report on those financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- b) Review assurance from the Executive Director and CEO and the Group's FC on the financial records and financial statement and assurance from Executive Director and CEO and other key management personnel who are responsible on the adequacy and effective of the risk management and internal control systems;
- c) Review the adequacy and effective of the Company's risk management and internal control in relation to financial reporting other financial-related risk and controls and report to the Board;
- d) Review with the Internal Auditor the internal audit plan and their evaluation of the adequacy and effectiveness of the internal controls and accounting system before submission of the results of such review to the Board;
- e) Review with the External Auditor the audit plan, their evaluation of the Company's internal accounting controls that are relevant to their statutory audit and their audit report; Report to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;

Corporate Governance Statement

- f) Ensure co-ordination between the External Auditor and Internal Auditor and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- g) Review and discuss with External and Internal Auditor (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and management's response;
- h) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the External Auditor;
- i) Review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- j) Review and ensure proper disclosure and reporting in the annual report on related party transactions as required by the accounting standards;
- k) Oversee the establishment and operation of the whistle-blowing processing in the Company;
- l) Review any potential conflicts of interest;
- m) Undertake such other functions and duties as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of our AC; and
- n) Generally undertake such other functions and duties as may be required by the Board under the Code of Corporate Governance 2018, statute or SGX Listing Rules (Mainboard) and Companies Act 1967 of Singapore.

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

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

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

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

The AC has reviewed all non-audit services provided by the External Auditor. The aggregate amount of fees paid/payable to the External Auditor for FY2023 audit and non-audit services are S\$310,000 and S\$53,000 respectively.

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

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

Provision 10.3 of the Code: AC does not comprise former partner or Directors of the Company's auditing firm	None of the members of the AC was a former partner or director of RSM SG Assurance LLP, the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner or director of the auditing firm or auditing corporation and none of the AC members have any financial interest in the auditing firm or auditing corporation.
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Provision 10.4 of the Code: Primary reporting line of the internal audit function is to AC; internal audit function has unfettered access to Company's documents, record, properties and personnel

The Group outsources its internal audit function to BDO Advisory Pte Ltd, an international auditing firm, to review key business processes of the Company and its key subsidiaries. The primary reporting line of the Internal Auditor function is to AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company. The Internal Auditor has also performed the internal review on the Sustainability Report for FY2023.

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

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

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

The AC meets with the Group's Internal Auditor and External Auditor without the presence of the management at least once a year. Such meeting enables the Internal Auditor and External Auditor to raise any issue encountered in the course of their work directly to the AC. For FY2023, the AC met once with the Internal Auditor and External Auditor, each without presence of the management.

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2023, the AC has discussed with the management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements. The following significant matters impacting the financial statements were discussed with the management and the External Auditor and were reviewed by the AC. The External Auditor has included these 3 significant matters as their key audit matters in the independent auditor's report for the FY2023. Please refer to Independent Auditor's Report in Financial Statements FY2023.

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Key audit matters	How the matters were addressed by the AC
Assessment of expected credit loss allowance on trade receivables	Net trade receivables amounted to S\$47.1 million as at 31 December 2023. The AC considered management's approach, methodology and judgement pertaining to revenue recognition and the estimate of trade receivables impairment allowance. The AC also considered the observations and findings presented by the External Auditor with reference to the payment track records of trade debtors and adequacy of allowance for impairment of trade receivables. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of trade receivables is adequately made as at 31 December 2023 and the relating disclosures in the financial statements are appropriate.
Assessment of impairment allowance on inventories	Net inventories amounted to S\$90.3 million as at 31 December 2023. The AC considered management's approach, methodology and judgement applied to the estimate of impairment allowance for slow-moving and obsolete inventories. The AC also considered the observation and findings presented by the External Auditor with reference to the adequacy of allowance for impairment of inventories. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of inventories is adequately made.
Fair value gain on the remeasurement of the previously held interests in the investee and the purchase price allocation ("PPA") arising from the acquisitions of the subsidiaries	The AC considered management's approach, methodology and judgement applied to the estimates with regard to the valuation process and key assumptions on the future market conditions, revenue and terminal growth rates and discount rates used in the discounted cash flow forecasts. The AC also considered the observation and findings presented by the External Auditor with reference to the valuation process and key assumptions on revenue and terminal growth rates and discount rates used in the discounted cash flow forecasts. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion as at 31 December 2023.

Corporate Governance Statement

WHISTLE-BLOWING POLICY

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

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

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

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

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

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

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SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

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

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

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

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

The Company's Annual General Meeting for financial year ended 31 December 2022 ("2023 AGM") was held physically on 28 April 2023.

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

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

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

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

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

Corporate Governance Statement

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

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

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

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

In regard to the 2023 AGM, the minutes were published on the SGXNet and the Company's website within the prescribed timeline set by the SGX-ST and all questions received from the shareholders and answer were also published on the SGXNet and the Company's website ahead of the 2023 AGM.

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

All resolutions tabled at the 2023 AGM were conducted by poll pursuant to Listing Manual of the SGX-ST and counted by the Polling Agent as well as verified by the Scrutineer during the 2023 AGM. The poll results were announced by the Company via SGXNet on the same day for the benefit of all shareholders.

Provision 11.6 of the Code: Dividend policy

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

Any dividend payments are clearly communicated to shareholders via announcements on SGXNet. During FY2023, the Company had declared and paid one interim dividend (tax exempt one-tier) totalling 0.75 Singapore cents per ordinary share and one special interim dividend (tax exempt one-tier) totalling 0.50 Singapore cent per ordinary share. In February 2024, the Company had declared and paid second interim dividend (tax exempt one-tier) totalling 0.75 Singapore cents per ordinary share and second special interim dividend (tax exempt one-tier) totalling 0.75 Singapore cent per ordinary share.

Corporate Governance Statement

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

Provision 13.3 of the Code: Corporate website to engage stakeholders

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

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

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

The Company provided opportunities for communication with the shareholders, investors and other stakeholders during FY2023 as follows:

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

Corporate Governance Statement

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

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

The Company provides contact details on its website at www.hafary.com.sg as the Company recognises the importance of stakeholder engagement to the long-term sustainability of its business. During FY2023, the Company received a number of telephone enquiries from shareholders and investors were attended promptly by the Company.

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

DEALINGS IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of the SGX-ST on Dealing in Securities, the Company has adopted its own Internal Code of Conduct and issues circulars to its Directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in the shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half-yearly financial results and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule 1207(19) of the Listing Manual of the SGX-ST during FY2023.

INTERESTED PERSON TRANSACTIONS

The Group first adopted an interested person transactions general mandate on 11 April 2016. This interested person transactions general mandate was replaced with the adoption of a new interested person transactions general mandate ("IPT General Mandate") on 26 October 2022. Renewal of this IPT General Mandate is sought at the 2023 AGM.

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

Corporate Governance Statement

Table 1:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)			
		Conducted under shareholders' mandate pursuant to Rule 920		Not conducted under shareholders' mandate pursuant to Rule 920	
		FY2023	FY2022	FY2023	FY2022
		S\$'000	S\$'000	S\$'000	S\$'000
Purchases from Malaysian Mosaic Sdn Bhd ("MMSB")	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad ("HSCB").	31,794	7,296	-	-
Purchases from MML Marketing Pte Ltd ("MML")	MML is a wholly-owned subsidiary of MMSB which is in turn a wholly-owned subsidiary of HSCB.	-	1,949	-	-
Sales to MMSB	MMSB is a wholly-owned subsidiary of HSCB.	454	-	-	-
Sales to Hap Seng Trading (BM) Sdn Bhd ("HST(BM)")	HST(BM) is a wholly-owned subsidiary of Hap Seng Trading Holdings Sdn Bhd ("HSTH") which is in turn a wholly-owned subsidiary of HSCB.	1,435	-	-	-
Sales to Hap Seng Trading (M) Sdn Bhd ("HST(M)")	HST(M) is a wholly-owned subsidiary of Hap Seng Trading Holdings Sdn Bhd ("HSTH") which is in turn a wholly-owned subsidiary of HSCB.	-	-	338	-
Sales to Tapmugliston Pte Ltd ("TPL")	TPL is an associate of director, Low See Ching.	-	-	-	197
Rental expense from MMSB	MMSB is a wholly-owned subsidiary of HSCB.	763	-	-	-
Rental Income from The Assembly Place Pte Ltd ("TAP")	TAP is an associate of director, Low See Ching.	-	-	183	101
Recharge of employment cost from MMSB	MMSB is a wholly-owned subsidiary of HSCB.	2,623	-	-	-

Corporate Governance Statement

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)			
		Conducted under shareholders' mandate pursuant to Rule 920		Not conducted under shareholders' mandate pursuant to Rule 920	
		FY2023	FY2022	FY2023	FY2022
		S\$'000	S\$'000	S\$'000	S\$'000
Transfer of staff retirement benefits from MMSB	MMSB is a wholly-owned subsidiary of HSCB.	-	-	615	-
Provision of insurance services from Hap Seng Insurance Services Sdn Bhd ("HSIS")	HSIS is the wholly-owned subsidiary of Gek Poh (Holdings) Sdn. Bhd., the holding company of HSCB.	-	-	108	-
Reimbursement of expenses from MMSB	MMSB is a wholly-owned subsidiary of HSCB.	-	-	784	-
Aggregate value of transactions under the Associate of the Group's Controlling Shareholder, Hap Seng Consolidated Berhad		37,069	9,245	1,845	-

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, except as disclosed in this Annual Report, there were no material contracts or loans entered into between the Company and any of its subsidiaries involving interests of any Director or controlling shareholder during FY2023.

Corporate Governance Statement

ACQUISITIONS

On 26 October 2023, the Group acquired an additional 15.0% equity interest in Guangdong ITA Element Building Materials Co., Limited (“ITA Element”) (“the Acquisition”). Prior to 26 October 2023, the Group owned 50.0% equity interest in ITA Element. Upon completion of the Acquisition, the Group has obtained control over ITA Element and ITA Element has been consolidated into the Group with effect from 26 October 2023.

On 17 January 2024, Hafary Pte Ltd, a wholly-owned subsidiary of the Company (“HPL”) had entered into a sale and purchase agreement (“SPA”) with the Company’s Non-Independent Non-Executive Director and controlling shareholder, Mr Low See Ching (“LSC”), in relation to a proposed acquisition (the “Proposed Acquisition”) by the Group of the LSC’s 19.0% shareholding interest in World Furnishing Hub Pte. Ltd. (“WFH”). On 18 January 2024, the Proposed Acquisition had been completed. With the completion of the Proposed Acquisition, WFH becomes a wholly owned subsidiary of HPL and the Company, through its wholly owned subsidiary, HPL, has an indirect 100.0% shareholding in the issued share capital of WFH.

Statement by Directors

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2023.

1. Opinion of the directors

In the opinion of the directors,

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

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

2. Directors

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

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

Statement by Directors

3. Directors' interests in shares and debentures

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

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

By virtue of section 7 of the Act, Low See Ching is deemed to have an interest in the company and its subsidiaries.

The directors' interests as at 21 January 2024 were the same as those at the end of the reporting year.

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

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

5. Hafary Performance Share Plan

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

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

Statement by Directors

5. Hafary Performance Share Plan (cont'd)

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

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

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

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

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

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

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

There were no unissued shares of the company or its related body corporate under shares awards granted by the company or its related body corporate as at 31 December 2023.

6. Options

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

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

7. Independent auditor

RSM SG Assurance LLP has expressed willingness to accept re-appointment. This audit firm was known as RSM Chio Lim LLP before 1 March 2024.

Statement by Directors

8. Report of Audit Committee

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

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

The Audit Committee performs the functions specified by section 201B (5) of the Act. Among other functions, it renewed the following, where relevant, with management, the external auditors and the internal auditors:

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

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

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

9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls (including financial, operational, compliance and information technology controls), and risk management systems were adequate and effective as at 31 December 2023 to address the risks that the company considers relevant and material to its operations.

Statement by Directors

10. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 7 February 2024, which would materially affect the group's and company's operating and financial performance as of the date of this report.

On behalf of the directors

Low Kok Ann
Director

Low See Ching
Director

2 April 2024

Independent Auditor's Report

To the Members of Hafary Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hafary Holdings Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

To the Members of Hafary Holdings Limited

Key audit matters (cont'd)

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

Refer to Notes 2A, 24 and 38D for the relevant accounting policy, discussion of accounting estimate, the breakdown in trade receivables and the credit risk of the group. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committee to the reported KAMs.

Key Audit Matter

The group's trade receivables totalled \$47,070,000, representing 10% of the group's total assets as at the end of the reporting year. Any impairment of significant receivables could have material impact to the group's profit or loss.

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

How we addressed the matter in our audit

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

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

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

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

Independent Auditor's Report

To the Members of Hafary Holdings Limited

Key audit matters (cont'd)

(2) Assessment of impairment allowance on inventories

Refer to Notes 2A and 23 for the relevant accounting policy, discussion of accounting estimate, and the breakdown in inventories at the reporting year end. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committee to the reported KAMs.

Key Audit Matter

The group held inventories of \$90,258,000, representing 19% of the group's total assets as at end of the reporting year. The carrying amount of inventories may not be recoverable in full if those inventories become slow moving, or if their selling prices have declined below carrying amounts.

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

How we addressed the matter in our audit

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

Independent Auditor's Report

To the Members of Hafary Holdings Limited

Key audit matters (cont'd)

(3) Fair value gain on the remeasurement of the previously held interests in the investee and the purchase price allocation ("PPA") arising from the acquisitions of the subsidiaries

Refer to Notes 2A and 37 for the relevant accounting policy, discussion of accounting estimate, and the breakdown of the acquired assets and liabilities at fair value and the recognised goodwill arising from the date of acquisition of subsidiaries. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committees to the reported KAMs.

Key Audit Matter

On 1 January 2023, the group entered a new Partnership Agreement ("2023 Partnership Agreement") with the existing shareholder of Melmer Stoneworks Pte. Ltd. ("MSPL") and on 26 October 2023, the group acquired additional 15% interests in Guangdong ITA Element Building Materials Co., Limited ("ITA Element") from the existing shareholder of ITA Element. These entities were previously accounted as joint ventures and now become subsidiaries of the group during the reporting year.

As disclosed in Note 2B "Consolidation of Melmer Stonework Pte. Ltd. ("MSPL") as subsidiary and fair value gain on the remeasurement of the previously held interests in the investee", management reviewed its rights and power over the investment in MSPL and assessed that the group obtains control over the investee on 1 January 2023. Accordingly, the group has accounted for the deemed disposal of the investment in joint venture MSPL and recognised a fair value gain of \$7,507,000 arising from the remeasurement of the 50% previously held interests in MSPL. MSPL is consolidated into the group effective from 1 January 2023.

As disclosed in Note 2B "Accounting for the acquisition of ITA Element", the group has accounted for the acquisition of ITA Element on a provisional basis, as the acquisition accounting will be finalised within the twelve months period from the date of acquisition and the provisional amounts recorded in this reporting year could change.

Management engaged an external valuer to perform the PPA for the acquisition of MSPL. The PPA was completed during the current year and a goodwill arising from the acquisition of \$5,233,000 is recognised at year end. Refer to Note 37 for more information.

How we addressed the matter in our audit

We discussed with management and reviewed the sale and purchase agreement and other related documents to evaluate the appropriateness of the group's accounting of the acquisition of the subsidiaries.

We reviewed management's basis of assessing that the group has obtained control over the investees and the basis of estimating the fair value of the previously held interests in the investees and nothing has come to our attention to suggest that these are unreasonable.

Independent Auditor's Report

To the Members of Hafary Holdings Limited

Key audit matters (cont'd)

(3) Fair value gain on the remeasurement of the previously held interests in the investee and the purchase price allocation ("PPA") arising from the acquisitions of the subsidiaries (cont'd)

How we addressed the matter in our audit (cont'd)

We assessed the independence and competency of the external valuer which included considering their experience and qualification in performing valuations for such business combinations. In addition, using our internal valuation specialists, we also reviewed the results of the PPA. Our audit procedures included: (a) discussing with the external valuer on the valuation methodologies used in the PPA; (b) engaging our internal valuation specialists to evaluate the valuation methodologies used in the PPA and the reasonableness of the discount rate applied; (c) evaluating the reasonableness of the key assumptions made by management in preparing the discounted cash flows forecasts by checking against relevant underlying data; and (d) challenging the key assumptions, including the projected revenue growth and terminal growth rate used in the computations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

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

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Independent Auditor's Report

To the Members of Hafary Holdings Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent Auditor's Report

To the Members of Hafary Holdings Limited

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

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

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

Report on other legal and regulatory requirements

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

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

RSM SG Assurance LLP
Public Accountants and
Chartered Accountants
Singapore

2 April 2024

Engagement partner - effective from year ended 31 December 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 \$'000	2022 \$'000
Revenue	5	226,422	168,885
Interest income	6	180	109
Other income and gains	7	13,372	6,950
Changes in inventories of goods held for resale		(1,478)	10,923
Purchases and related costs		(120,778)	(100,970)
Employee benefits expense	8	(34,030)	(24,623)
Amortisation and depreciation expense	15, 16, 17, 18	(11,940)	(9,454)
Impairment losses	9	(157)	(589)
Other losses	7	(349)	–
Finance costs	10	(9,491)	(4,616)
Other expenses	11	(16,282)	(13,073)
Share of profit from an equity-accounted associate	20	3,220	3,679
Share of profit from equity-accounted joint ventures	21	280	362
Profit before income tax		48,969	37,583
Income tax expense	12	(8,873)	(6,945)
Profit, net of tax		40,096	30,638
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax	28	(1,649)	(1,642)
Total comprehensive income for the year		38,447	28,996
Profit attributable to:			
- Owners of the parent, net of tax		39,066	29,372
- Non-controlling interests, net of tax		1,030	1,266
		40,096	30,638
Total comprehensive income attributable to:			
- Owners of the parent		37,417	27,730
- Non-controlling interests		1,030	1,266
		38,447	28,996
		Cents	Cents
Earnings per share			
Basic and diluted	13	9.07	6.82

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

Statements of Financial Position

As at 31 December 2023

	Notes	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	115,128	104,086	371	473
Right-of-use assets	16	134,168	132,140	–	–
Investment properties	17	21,184	17,390	–	–
Intangible assets	18	8,476	–	–	–
Investments in subsidiaries	19	–	–	9,239	9,239
Investment in an associate	20	20,351	19,423	–	–
Investments in joint ventures	21	193	2,832	–	–
Other financial assets	22	374	335	338	335
Total non-current assets		299,874	276,206	9,948	10,047
Current assets					
Inventories	23	90,258	56,998	–	–
Trade and other receivables	24	56,341	53,296	30,309	35,637
Derivative financial assets	34	–	81	–	–
Other non-financial assets	25	7,231	5,443	2	3
Cash and cash equivalents	26	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	27	26,930	26,930	26,930	26,930
Retained earnings		94,576	67,350	1,253	7,286
Foreign currency translation reserve	28	(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	12	1,768	886	–	–
Loans and borrowings, non-current	29	168,199	173,016	–	–
Lease liabilities, non-current	30	15,633	13,383	–	–
Total non-current liabilities		185,600	187,285	–	–
Current liabilities					
Income tax payable		8,803	7,172	16	–
Provision	31	980	1,119	–	–
Trade and other payables	32	53,407	26,654	12,099	11,501
Derivative financial liabilities	34	1	–	–	–
Loans and borrowings, current	29	86,302	76,130	–	–
Lease liabilities, current	30	2,809	1,015	–	–
Other non-financial liabilities	33	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.

Statements of Changes in Equity

Year ended 31 December 2023

Group:	Total equity \$'000	Attributable to parent subtotal \$'000	Share capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Non- controlling interests \$'000
Current year:						
Opening balance at 1 January 2023	96,012	92,571	26,930	67,350	(1,709)	3,441
Changes in equity:						
Total comprehensive income for the year	38,447	37,417	-	39,066	(1,649)	1,030
Dividends paid (Note 14)	(11,840)	(11,840)	-	(11,840)	-	-
Dividends paid to non-controlling interests in subsidiaries	(1,141)	-	-	-	-	(1,141)
Acquisition of subsidiaries (Note 37)	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 for the year	28,996	27,730	-	29,372	(1,642)	1,266
Dividends paid (Note 14)	(6,458)	(6,458)	-	(6,458)	-	-
Dividends paid to non-controlling interests in subsidiaries	(942)	-	-	-	-	(942)
Capital contribution by non-controlling interest	30	-	-	-	-	30
Acquisition of a non-controlling interest without a change in control (Note 19)	(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
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 14)			(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 14)			(6,458)	-	(6,458)	
Closing balance at 31 December 2022			34,216	26,930	7,286	

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

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	2023 \$'000	2022 \$'000
Cash flows from operating activities		
Profit before tax	48,969	37,583
Adjustments for:		
Interest expense on borrowings	8,991	4,195
Interest expense on lease liabilities	500	421
Interest income	(180)	(109)
Depreciation of property, plant and equipment	7,969	6,638
Depreciation of right-of-use assets	3,023	2,517
Depreciation of investment properties	299	299
Amortisation of intangible assets	649	–
Gain on disposal of plant and equipment	(1)	(163)
Gain on disposal of quoted securities	–	(91)
Gain on disposal of joint venture	(7,507)	–
Fair value gains on other financial assets, net	(3)	(124)
Share of profit from an equity-accounted associate	(3,220)	(3,679)
Share of profit from equity-accounted joint ventures	(280)	(362)
Net effect of exchange rate changes in consolidating subsidiaries	724	52
Operating cash flows before changes in working capital	59,933	47,177
Inventories	(26,321)	(10,749)
Trade and other receivables	5,034	(19,623)
Other non-financial assets	(59)	1,083
Provision	(139)	195
Trade and other payables	21,894	9,026
Derivative financial assets / (liabilities)	82	(145)
Other non-financial liabilities	(2,055)	3,304
Net cash flows from operations	58,369	30,268
Income taxes paid	(7,951)	(2,528)
Net cash flows from operating activities	50,418	27,740

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

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	2023 \$'000	2022 \$'000
Cash flows from investing activities		
Purchase of property, plant and equipment (Notes 15 and 26B)	(18,949)	(19,320)
Purchase of investment property (Note 17)	(4,093)	(9,550)
Upfront payment for right-of-use assets (Notes 16 and 26B)	–	(61,095)
Proceeds from disposal of plant and equipment	1	299
Acquisition of subsidiaries (net of cash acquired) (Note 37)	619	–
Net movements in amount due from an associate	–	1,381
Net movements in amount due from joint ventures	14	625
Net movements in amount due from other related parties	(2,462)	–
Proceeds from disposal of quoted securities	–	220
Dividend income from an associate	1,312	1,059
Dividend income from joint ventures	–	137
Interest income received	85	79
Net cash flows used in investing activities	(23,473)	(86,165)
Cash flows from financing activities		
Cash restricted in use	–	(515)
Dividends paid to equity owners	(11,840)	(6,458)
Dividends paid to non-controlling interests	(1,141)	(942)
Net movements in amounts due to other related parties	–	288
Net movements in amounts due to a director cum a shareholder	–	(519)
Net movements in amounts due to a shareholder	–	(1,108)
Lease liabilities – principal portion paid	(1,595)	(1,596)
(Decrease) Increase in trust receipts and bills payable	(5,057)	7,277
Increase in new loans and borrowings	33,705	83,876
Loans and borrowings paid	(25,034)	(10,073)
Interest expense paid	(9,520)	(3,846)
Acquisition of a non-controlling interest without a change in control	–	(3,020)
Net cash flows (used in) from financing activities	(20,482)	63,364
Net increase in cash and cash equivalents	6,463	4,939
Net effect of exchange rate changes on cash and cash equivalents	(70)	(20)
Cash and cash equivalents, beginning balance	10,989	6,070
Cash and cash equivalents, ending balance (Note 26A)	17,382	10,989

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

Notes to the Financial Statements

Year ended 31 December 2023

1. General

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

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

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

The company is an investment holding company. The principal activities of the subsidiaries are disclosed in the notes to the financial statements below.

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

Statement of compliance with financial reporting standards

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

Basis of preparation of the financial statements

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

Basis of presentation and principles of consolidated financial statements

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

Notes to the Financial Statements

Year ended 31 December 2023

1. General (cont'd)

Basis of presentation and principles of consolidated financial statements (cont'd)

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

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act 1967, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Disclosures of material accounting policy and other explanatory information

Disclosures are made on the accounting policy and other explanatory information relating to material transactions, other events or conditions if that information is material to the financial statements or is required by a financial reporting standard. Entity-specific information that relates to more than one account balance or a class of material transactions is described in Note 2A below. An account balance entity-specific information is disclosed in the relevant respective account balances in the financial statements.

2A. Material accounting policy and other explanatory information

Revenue and income recognition

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

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

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

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

Foreign currency transactions

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

Translation of financial statements of other entities

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

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Income tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current income tax is the expected tax payable on the taxable income for the reporting year; calculated using rates enacted or substantively enacted at the statements of financial position date; and inclusive of any adjustment to income tax payable or recoverable in respect of previous reporting years. Deferred tax is recognised using the liability method; based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective income tax bases; and determined using tax rates that have been enacted or substantively enacted by the reporting year end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets (or, for certain leased assets, the shorter lease term). An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle.

Right-of-use assets

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

Investment property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction.

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Leases of lessee

A lease conveys the right to use an asset (the underlying asset) for a period in exchange for consideration. Lease payments are apportioned between finance costs and reduction of the lease liability to reflect the interest on the remaining balance of the liability. Leases with a term of 12 months or less and leases for low value are not recorded as a liability and lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Subsidiaries

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

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

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations.

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

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Associates (cont'd)

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity.

Joint ventures

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

Business combination

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities that are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Business combinations are initially accounted for on a provisional basis until they are finalised within one year from the acquisition date. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by management by taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Non-controlling interest

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note 37.

Non-controlling interests reflect the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if these losses cause the non-controlling interest to have a debit balance. Remeasurements of non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on goodwill. An impairment loss recognised for goodwill is not reversed in a subsequent period.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit ("CGU"), or groups of CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Intangible assets other than goodwill

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first in first out method. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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.

Carrying amounts of non-financial assets

The carrying amount of non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is expensed.

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

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

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

Categories of financial assets and financial liabilities:

The financial reporting standard on financial instruments four categories of financial assets and two categories for liabilities. At the end of the reporting year, the reporting entity had the following categories financial assets and financial liabilities:

- Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
- Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Derivative financial instruments

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

Fair value measurement

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

2A. Material accounting policy and other explanatory information (cont'd)

Other specific material accounting policy and other explanatory information

These are disclosed at the relevant notes to the financial statements.

2B. Critical judgements, assumptions and estimation uncertainties

Disclosures on material information about the assumptions management made about the future, and other major sources of estimation uncertainty at the end of the reporting year, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the corresponding Notes to these financial statements. 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.

Assessing 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 ECL, 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.

Assessing loss 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 amounts of inventories at the end of the reporting year is disclosed in the Note on inventories.

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

The lease liabilities are initially measured by discounting the lease payments over the lease terms. For leases with extension or renewal options, management applied judgement in determining whether such extension or renewal options should be reflected in measuring the lease liabilities. This requires the consideration of whether the facts and circumstances created an economic incentive for the exercise of the lease extension or renewal option. The amount of the lease liabilities at the end of the reporting year is \$18,442,000.

Notes to the Financial Statements

Year ended 31 December 2023

2. Disclosures of material accounting policy and other explanatory information (cont'd)

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

Assessing the impairment of goodwill:

The amount of goodwill is tested annually for impairment. This annual impairment test is material and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in the Notes below. Small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Accounting for the acquisition of Guangdong ITA Element Building Materials Co., Limited ("ITA Element"):

As described in Note 37, as at the end of the reporting year, management completed the initial acquisition accounting of ITA Element on a provisional basis. The acquisition accounting will be finalised within twelve months period from the date of acquisition 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.

Consolidation of Melmer Stoneworks Pte. Ltd. ("MSPL") as subsidiary and fair value gain on the remeasurement of the previously held interests in the investee:

Prior to 1 January 2023, MSPL was accounted as a joint venture. On 1 January 2023, the group entered a new Partnership Agreement ("2023 Partnership Agreement") with the existing shareholder of MSPL. MSPL specialises in fabrication, polishing and profiling of stone and marble slabs for customers. The group finds synergies in operation, distribution and services offering. This current agreement and arrangement will terminate the previous partnership agreement.

Management reassessed the group's control over MSPL via its rights in the 2023 Partnership Agreement, its involvement in business and its power through its board representation and the chairman's decision making rights.

Management considered the facts and has assessed that the group obtains control over MSPL. As such, the group has accounted for the deemed disposal of the investment in joint venture, MSPL, and recognised a fair value gain of \$7,507,000 arising from the remeasurement of the 50% previously held interests in MSPL during the year. MSPL is consolidated into the group effective 1 January 2023.

The group has also engaged an external valuer to perform the purchase price allocation ("PPA") exercise and recognised a goodwill arising from the acquisition of MSPL of \$5,233,000.

Refer to Notes 21 and 37 to the financial statements for more information.

Notes to the Financial Statements

Year ended 31 December 2023

3. Related party relationships and transactions

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

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

3A. Members of a group

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

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

3B. Related party transactions

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

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

Notes to the Financial Statements

Year ended 31 December 2023

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

3B. Related party transactions (cont'd)

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

	Group	
	2023	2022
	\$'000	\$'000
<u>Associate:</u>		
Interest income (Note 6)	-	(14)
<u>Joint ventures:</u>		
Sale of goods	(18)	(1,150)
Rental income	-	(421)
Interest income (Note 6)	(67)	(82)
Purchases of goods	4,989	9,360
Receiving of services	-	2,206
<u>Director:</u>		
Sale of goods	-	(1)
<u>Other related parties:</u>		
Sale of goods	(2,535)	(518)
Rental income	(245)	(202)
Miscellaneous income (Note 7)	-	(56)
Purchases of goods	31,821	9,245
Rental expenses	857	62
Property management fee	90	45
Secondment fee	3,322	-
Reimbursement of expenses	814	-
Purchase of motor vehicles	30	-
Receiving of services	108	-

3C. Key management compensation

	Group	
	2023	2022
	\$'000	\$'000
Salaries and other short-term employee benefits	4,046	3,461

Notes to the Financial Statements

Year ended 31 December 2023

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

3C. Key management compensation (cont'd)

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

	Group	
	2023	2022
	\$'000	\$'000
Remuneration of director of the company	2,435	1,894
Fees to directors of the company	231	231
Fee to a director of a subsidiary of the company	120	100

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

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Key management compensation comprised those of directors and other key management personnel totalling 13 (2022: 14) persons. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related companies in their capacity as directors and or executives of those companies.

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

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

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

	Group	
	2023	2022
	\$'000	\$'000
<u>Joint ventures:</u>		
Balance at beginning of the year	3,342	3,834
Interest income (Note 6)	67	82
Transfer to subsidiaries	(1,835)	-
Amounts paid out and settlement of liabilities on behalf of the joint ventures	1,246	4,542
Amounts paid in and settlement of liabilities on behalf of the group	(1,260)	(5,113)
Foreign exchange adjustments	15	(3)
Balance at end of the year	1,575	3,342
Presented in the statement of financial position as follows:		
Other receivables (Note 24)	1,575	4,140
Other payables (Note 32)	-	(798)
	1,575	3,342

Notes to the Financial Statements

Year ended 31 December 2023

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

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

	Group	
	2023 \$'000	2022 \$'000
<u>Other receivable from associate:</u>		
Balance at beginning of the year	-	1,366
Interest income (Note 6)	-	14
Repayment of loan principal and interest	-	(1,381)
Foreign exchange adjustments	-	1
Balance at end of the year	-	-
<u>Other related parties:</u>		
Balance at beginning of the year	(284)	4
Amounts paid out and settlement of liabilities on behalf of the other related parties	7,963	114
Amounts paid in and settlement of liabilities on behalf of the group	(5,466)	(402)
Foreign exchange adjustments	4	-
Balance at end of the year	2,217	(284)
Presented in the statement of financial position as follows:		
Other receivables (Note 24)	3,465	-
Other payables (Note 32)	(1,248)	(284)
	2,217	(284)
<u>Other payable to a director cum a shareholder:</u>		
Balance at beginning of the year	(889)	(1,408)
Amounts paid out and settlement of liabilities on behalf of the director	-	575
Amounts paid in and settlement of liabilities on behalf of the group	-	(56)
Balance at end of the year (Note 32)	(889)	(889)
<u>Other payable to a shareholder:</u>		
Balance at beginning of the year	-	(1,108)
Amounts paid out and settlement of liabilities on behalf of the shareholder	-	1,108
Balance at end of the year	-	-

Notes to the Financial Statements

Year ended 31 December 2023

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

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

	Company	
	2023 \$'000	2022 \$'000
<u>Subsidiaries:</u>		
Balance at beginning of the year	23,253	20,063
Transfer from joint ventures	1,835	–
Amounts paid in and settlement of liabilities on behalf of the company	(12,875)	(6,497)
Dividend income	5,382	9,687
Balance at end of the year	<u>17,595</u>	<u>23,253</u>
Presented in the statement of financial position as follows:		
Other receivables (Note 24)	26,995	32,653
Other payables (Note 32)	(9,400)	(9,400)
	<u>17,595</u>	<u>23,253</u>

4. Financial information by operating segments

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

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

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.

Notes to the Financial Statements

Year ended 31 December 2023

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

4A. 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 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 used by the reporting entity.

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 depreciation and amortisation, finance cost, income taxes and share of profit from investee companies (“Recurring EBITDA”); and (2) operating results before income taxes and other unallocated items (“ORBIT”).

Notes to the Financial Statements

Year ended 31 December 2023

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

4B. Profit or loss from continuing operations and reconciliations

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

	General \$'000	Project \$'000	Manufacturing \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<u>2023:</u>						
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)
Fair value gain on remeasurement of the previously held interests in the investee	-	-	-	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

Notes to the Financial Statements

Year ended 31 December 2023

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

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

	General \$'000	Project \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<u>2022:</u>					
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

4C. Assets, liabilities and reconciliations

	General \$'000	Project \$'000	Manufacturing \$'000	Others \$'000	Group \$'000
<u>2023:</u>					
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
<u>2022:</u>					
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

Notes to the Financial Statements

Year ended 31 December 2023

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

4D. Other material items and reconciliations

	General \$'000	Project \$'000	Manufacturing \$'000	Others \$'000	Group \$'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

4E. Geographical information

	Revenue		Non-current assets	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Singapore	176,681	164,319	251,280	247,163
Socialist Republic of Vietnam	322	–	20,351	19,423
Malaysia	33,020	230	19,485	–
People's Republic of China	1,066	796	8,174	9,285
Republic of the Union of Myanmar	150	458	210	–
Cambodia	1,510	2,674	–	–
United States of America	7,812	–	–	–
Taiwan	2,429	–	–	–
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.

4F. Information about major customers measured by revenue transactions

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

Notes to the Financial Statements

Year ended 31 December 2023

5. Revenue

5A. Revenue classified by type of good or service

	Group	
	2023	2022
	\$'000	\$'000
Sale of goods	218,940	159,667
Revenue from installation services	7,482	9,218
Total revenue	226,422	168,885

5B. Revenue classified by duration of contract

	Group	
	2023	2022
	\$'000	\$'000
Short-term contracts	218,940	159,667
Long-term contracts	7,482	9,218
Total revenue	226,422	168,885

5C. Revenue classified by timing of revenue recognition

	Group	
	2023	2022
	\$'000	\$'000
Point in time	218,940	159,667
Over time	7,482	9,218
Total revenue	226,422	168,885

6. Interest income

	Group	
	2023	2022
	\$'000	\$'000
Interest income from an associate (Note 3)	–	14
Interest income from a joint venture (Note 3)	67	82
Interest income from financial institutions	113	13
Total interest income	180	109

Notes to the Financial Statements

Year ended 31 December 2023

7. Other income and gains and (other losses)

	Group	
	2023 \$'000	2022 \$'000
Rental income	4,983	5,215
Sales of solar energy	349	393
Fair value (losses) gains on derivative financial instruments, net (Note 34)	(82)	145
Fair value gains on other financial assets, net (Note 22)	3	124
Foreign exchange adjustment (losses) gains, net	(267)	219
Gain on disposal of plant and equipment	1	163
Gain on disposal of quoted securities	–	91
Fair value gain on remeasurement of the previously held interests in the investee (Note 37)	7,507	–
Foreign Worker Levy rebates	–	149
Other government grants income	94	262
Insurance compensation	67	33
Miscellaneous income from other related party (Note 3)	–	56
Other income	368	100
	13,023	6,950
Presented in profit or loss as:		
Other income and gains	13,372	6,950
Other losses	(349)	–
	13,023	6,950

8. Employee benefits expense

	Group	
	2023 \$'000	2022 \$'000
Salaries, bonuses and other short-term benefits	29,922	21,817
Contributions to defined contribution plan	4,108	2,806
Total employee benefits expense	34,030	24,623

Notes to the Financial Statements

Year ended 31 December 2023

9. Impairment losses

	Group	
	2023 \$'000	2022 \$'000
(Reversal) allowance for impairment of inventories (Note 23)	(814)	173
Allowance (reversal) for impairment of trade receivables:		
- Individually impaired (Note 24)	797	184
- Collectively impaired (Note 24)	(39)	106
Allowance for impairment of other receivables (Note 24)	214	133
Bad debts recovered – trade receivables	(18)	(7)
Bad debts written-off – trade receivables	17	–
Total impairment losses	<u>157</u>	<u>589</u>

10. Finance costs

	Group	
	2023 \$'000	2022 \$'000
Interest expense on:		
- Bank loans	7,669	3,353
- Bill payables	1,322	842
- Lease liabilities	500	421
Total finance costs	<u>9,491</u>	<u>4,616</u>

11. Other expenses

The material components and other selected components include the following:

	Group	
	2023 \$'000	2022 \$'000
Hire of vehicles and machineries	1,742	1,567
Property tax	1,719	1,540
Commission	1,664	1,317
Upkeep of motor vehicles	1,359	1,230
Utilities expense	1,048	1,022
Expense relating to short-term leases (Note 30)	<u>308</u>	<u>609</u>

Notes to the Financial Statements

Year ended 31 December 2023

11. Other expenses (cont'd)

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

	Group	
	2023	2022
	\$'000	\$'000
Audit fees paid to:		
- Independent auditors of the company	310	246
- Other independent auditors	102	55
Non-audit fees paid to:		
- Independent auditors of the company	53	74
- Other independent auditors	27	11

12. Income tax

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

	Group	
	2023	2022
	\$'000	\$'000
<u>Current tax expense:</u>		
Current tax expense	8,963	7,041
Over adjustments in respect of prior years	(40)	(29)
Subtotal	8,923	7,012
<u>Deferred tax expense (income):</u>		
Deferred tax income	(51)	(110)
Under adjustments in respect of prior years	1	43
Subtotal	(50)	(67)
Total income tax expense	8,873	6,945

Notes to the Financial Statements

Year ended 31 December 2023

12. Income tax (cont'd)

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

The reconciliation of income taxes below is determined by applying Singapore corporate tax rate. The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2022: 17%) to profit before income tax as a result of the following differences:

	Group	
	2023	2022
	\$'000	\$'000
Profit before income tax	48,969	37,583
Less:		
- Share of profit from an equity-accounted associate	(3,220)	(3,679)
- Share of profit from equity-accounted joint ventures	(280)	(362)
	45,469	33,542
Income tax expense at the above rate	7,730	5,702
Effect of different tax rates in different countries	157	7
Expenses not deductible for tax purposes	1,164	1,344
Tax exemptions	(139)	(122)
(Over) under adjustments in respect of prior years	(39)	14
Total income tax expense	8,873	6,945

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

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

	Group	
	2023	2022
	\$'000	\$'000
Excess of net carrying amounts over tax values of property, plant and equipment	138	(25)
Provision	23	(33)
Deferred tax on unrealised profit for inventories	(43)	(9)
Deferred tax on fair value adjustments on inventories arising from acquisition of a subsidiary	(168)	-
Total deferred tax income	(50)	(67)

Notes to the Financial Statements

Year ended 31 December 2023

12. Income tax (cont'd)

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

	Group	
	2023 \$'000	2022 \$'000
Excess of net carrying amounts over tax values of property, plant and equipment	1,462	1,324
Provision	(167)	(190)
Deferred tax on unrealised profit for inventories	(291)	(248)
Deferred tax arising from acquisition of a subsidiary:		
- Deferred tax on fair value adjustment on intangible assets	662	-
- Deferred tax on fair value adjustment on inventories	102	-
Total deferred tax liabilities	1,768	886

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

Temporary differences arising in connection with interests in subsidiaries, associates and joint ventures are insignificant.

13. Earnings per share

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

	Group	
	2023 \$'000	2022 \$'000
Profit, net of tax attributable to owners of the parent	39,066	29,372
	Number of shares	
	2023 '000	2022 '000
Weighted average number of equity shares:		
Basic	430,550	430,550

Notes to the Financial Statements

Year ended 31 December 2023

13. Earnings per share (cont'd)

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

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

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

14. Dividends on equity shares

	Group and Company	
	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 (2022: 0.75 cent per share for FY2022)	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

In respect of the current reporting year, the directors have proposed that a second interim dividend of 0.75 cent per share and a second special interim dividend of 0.75 cent per share with a total of \$6,458,000 be paid to shareholders. There are no income tax consequences on the company. These dividends were approved by the board of directors on 7 February 2024 and have not been included as a liability in these financial statements. The dividends were paid on 22 February 2024.

Notes to the Financial Statements

Year ended 31 December 2023

15. Property, plant and equipment

Group	Leasehold properties \$'000	Plant and equipment \$'000	Construction in progress \$'000	Motor vehicles \$'000	Total \$'000
<u>Cost:</u>					
At 1 January 2022	106,922	18,847	–	3,973	129,742
Additions	13,536	6,410	–	664	20,610
Disposals	–	(156)	–	(511)	(667)
Transferred to investment properties (Note 17)	(4,017)	–	–	–	(4,017)
Foreign exchange adjustments	(494)	(100)	–	(5)	(599)
At 31 December 2022	115,947	25,001	–	4,121	145,069
Additions	–	14,747	3,745	782	19,274
Disposals	–	(120)	–	(155)	(275)
Acquisition of subsidiaries (Note 37)	–	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
<u>Accumulated depreciation:</u>					
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)
Transferred to investment properties (Note 17)	(50)	–	–	–	(50)
Foreign exchange adjustments	(156)	(43)	–	(5)	(204)
At 31 December 2022	26,367	11,255	–	3,361	40,983
Depreciation for the year	4,695	2,915	–	359	7,969
Disposals	–	(120)	–	(155)	(275)
Acquisition of subsidiaries (Note 37)	–	2,148	–	374	2,522
Foreign exchange adjustments	(69)	(62)	–	(3)	(134)
At 31 December 2023	30,993	16,136	–	3,936	51,065
<u>Carrying value:</u>					
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

Notes to the Financial Statements

Year ended 31 December 2023

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

Company	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<u>Cost:</u>			
At 1 January 2022	2	470	472
Additions	–	506	506
Disposals	–	(470)	(470)
At 31 December 2022 and 31 December 2023	2	506	508
<u>Accumulated depreciation:</u>			
At 1 January 2022	2	297	299
Depreciation for the year	–	96	96
Disposals	–	(360)	(360)
At 31 December 2022	2	33	35
Depreciation for the year	–	102	102
At 31 December 2023	2	135	137
<u>Carrying value:</u>			
At 1 January 2022	–	173	173
At 31 December 2022	–	473	473
At 31 December 2023	–	371	371

The annual rates of depreciation are as follows:

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

As at the end of the reporting year, the group's leasehold properties with carrying amount of \$81,688,000 (2022: \$86,184,000) are mortgaged for bank facilities (Note 29).

Certain motor vehicles are under lease liabilities (Note 30).

Notes to the Financial Statements

Year ended 31 December 2023

16. Right-of-use assets

Group	Leasehold land \$'000	Premises \$'000	Total \$'000
<u>Cost:</u>			
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	–	4,419	4,419
Acquisition of subsidiaries (Note 37)	–	1,352	1,352
Foreign exchange adjustments	(179)	(72)	(251)
At 31 December 2023	146,690	9,660	156,350
<u>Accumulated depreciation:</u>			
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 31 December 2022	15,827	2,863	18,690
Depreciation for the year	1,341	1,682	3,023
Acquisition of subsidiaries (Note 37)	–	524	524
Foreign exchange adjustments	(45)	(10)	(55)
At 31 December 2023	17,123	5,059	22,182
<u>Carrying value:</u>			
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 end of the reporting year, the group's land use rights with carrying amount of \$113,635,000 (2022: \$114,853,000) are mortgaged for bank facilities (Note 29). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

Notes to the Financial Statements

Year ended 31 December 2023

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

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

Group	Land use rights \$'000
<u>Cost:</u>	
At 1 January 2022	68,362
Additions	61,095
Foreign exchange adjustments	(449)
At 31 December 2022	129,008
Foreign exchange adjustments	(179)
At 31 December 2023	128,829
<u>Accumulated amortisation:</u>	
At 1 January 2022	9,385
Amortisation for the year	1,355
Foreign exchange adjustments	(102)
At 31 December 2022	10,638
Amortisation for the year	1,341
Foreign exchange adjustments	(45)
At 31 December 2023	11,934
<u>Carrying value:</u>	
At 1 January 2022	58,977
At 31 December 2022	118,370
At 31 December 2023	116,895

The annual rates of depreciation are as follows:

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

Notes to the Financial Statements

Year ended 31 December 2023

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

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

	Leasehold land		Premises	
	2023	2022	2023	2022
Number of right-of-use assets	10	10	15	3
Remaining term – range (years)	1.0 to 810.6	2.0 to 811.6	1.4 to 5.2	0.2 to 3.3
Remaining term – average (years)	104.9	105.9	2.8	2.0
Weighted average incremental borrowing rate applied to lease liabilities	3%	3%	4%	3%

Leasehold land

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

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

Premises

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

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

Notes to the Financial Statements

Year ended 31 December 2023

17. Investment properties

Group	Freehold land \$'000	Freehold property \$'000	Leasehold properties \$'000	Total \$'000
<u>Cost:</u>				
At 1 January 2022	3,906	370	–	4,276
Additions	–	–	9,550	9,550
Transferred from property, plant and equipment (Note 15)	–	–	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
<u>Accumulated depreciation:</u>				
At 1 January 2022	–	104	–	104
Depreciation for the year	–	19	280	299
Transferred from property, plant and equipment (Note 15)	–	–	50	50
At 31 December 2022	–	123	330	453
Depreciation for the year	–	19	280	299
At 31 December 2023	–	142	610	752
<u>Carrying value:</u>				
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

The annual rates of depreciation are as follows:

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

Notes to the Financial Statements

Year ended 31 December 2023

17. Investment properties (cont'd)

	Group	
	2023 \$'000	2022 \$'000
Fair value at end of the 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 leased out under operating lease. Also see Note 36 on operating lease income commitments.

The investment properties are mortgaged as security for the bank facilities (Note 29).

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

Asset:	Two-storey shophouse
Location:	532 Balestier Road, Singapore 329859
Tenure:	Freehold
Fair value:	\$5,000,000 (2022: \$4,650,000)
Fair value hierarchy:	Level 3 (2022: Level 3)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter \$19,577 (2022: \$18,207)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by \$500,000; higher by \$500,000 (2022: Impact – lower by \$465,000; higher by \$465,000)

Notes to the Financial Statements

Year ended 31 December 2023

17. Investment properties (cont'd)

Asset:	Six-storey commercial building
Location:	51 Middle Road Singapore 188959
Tenure:	Leasehold 999 years with effect from 30 January 1835
Fair value:	\$3,928,000 (2022: \$3,928,000)
Fair value hierarchy:	Level 3 (2022: Level 3)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter \$2,431 (2022: \$2,431)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by \$393,000; higher by \$393,000 (2022: Impact – lower by \$393,000; higher by \$393,000)

Asset:	A row of 11 adjoining units of refurbished 2-storey prewar shophouses with attic and 4-storey rear extension
Location:	161 Lavender Street Singapore 338750
Tenure:	Leasehold 99 years with effect from 2 December 2016
Fair value:	\$9,756,000 (2022: \$9,272,000)
Fair value hierarchy:	Level 3 (2022: Level 3)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter \$2,322 (2022: \$2,207)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by \$976,000; higher by \$976,000 (2022: Impact – lower by \$927,000; higher by \$927,000)

The fair values of the investment properties located at 532 Balestier Road Singapore 329859 and 51 Middle Road Singapore 188959 were measured by PREMAS Valuers & Property Consultants Pte. Ltd., a firm of independent professional valuers, in January 2024 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment properties being valued.

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Year ended 31 December 2023

17. Investment properties (cont'd)

The fair value of the investment property located at 161 Lavender Street Singapore 338750 was measured by Knight Frank Pte Ltd, a firm of independent professional valuers, in January 2024 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued.

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

18. Intangible assets

Group	Goodwill \$'000	Customer relationship \$'000	Total \$'000
<u>Cost:</u>			
At 1 January 2023	–	–	–
Arising from acquisition of a subsidiary (Note 37)	5,233	3,892	9,125
At 31 December 2023	5,233	3,892	9,125
<u>Accumulated amortisation:</u>			
At 1 January 2023	–	–	–
Amortisation for the year	–	649	649
At 31 December 2023	–	649	649
<u>Carrying value:</u>			
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	2022 \$'000
<u>Subsidiary:</u>		
Melmer Stoneworks Pte. Ltd.	5,233	–
Carrying value at end of the year	5,233	–

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amounts of an asset cash-generating unit have been measured based on the fair value less costs of disposal method or the value in use method (whichever is higher) as appropriate for the separate CGUs.

Notes to the Financial Statements

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18. Intangible assets (cont'd)

The value in use for each CGU 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:

	<u>2023</u>
1. Estimated discount rates using post-tax rates that reflect current market assessments at the risks specific to the CGUs	12.1%
2. Growth rates based on industry growth forecasts for revenue and not exceeding the average long-term growth rate for the relevant markets	1.99%
3. Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years 5.0%

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.

19. Investments in subsidiaries

	Company	
	2023	2022
	\$'000	\$'000
Unquoted equity shares at cost	9,239	9,239
Net book value of subsidiary in the books of the company	63,098	39,500

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19. Investments in subsidiaries (cont'd)

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

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities</u>	Cost		Effective equity held	
	2023	2022	2023	2022
	\$'000	\$'000	%	%
Hafary Pte Ltd Singapore Importer and dealer of building materials	9,239	9,239	100	100
<u>Held through Hafary Pte Ltd:</u>				
Surface Project Pte. Ltd. Singapore Distribution and wholesale of building materials			70	70
Surface Stone Pte. Ltd. Singapore Dealer of stones for home furnishing			90	90
Wood Culture Pte. Ltd. Singapore Dealer of wood for home furnishing			100	100
Hafary Centre Pte. Ltd. Singapore Investment holding			100	100
Hafary Vietnam Pte. Ltd. Singapore Investment holding			100	100
Hafary International Pte. Ltd. Singapore Importing and distribution of building materials			100	100
Hafary Trademarks Pte. Ltd. Singapore Intellectual property holding and management			100	100
Marble Trends Pte. Ltd. Singapore Dormant			100	100
World Furnishing Hub Pte. Ltd. # ^a Singapore Investment holding			81	81

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Year ended 31 December 2023

19. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities

Effective equity held
2023 **2022**
% **%**

Held through Hafary Pte Ltd (cont'd):

Hafary Balestier Showroom Pte. Ltd. Singapore Investment holding	51	51
Gres Universal Pte. Ltd. Singapore Distribution and wholesale of building materials	56	56
Hafary Building Materials Pte. Ltd. Singapore Investment holding	100	100
Hafary W+S Pte. Ltd. Singapore Storage and warehousing of furniture and related products	100	100
Hafary Trading Sdn. Bhd. Malaysia Trading and distribution of building materials	100	100
Hafary Crescent Pte. Ltd. Singapore Cutting, shaping and finishing of stone and other holding companies (investment holding)	100	100
Hafary Element Pte. Ltd. Singapore Investment holding	95	93
Hafary Flagship Store Pte. Ltd. Singapore Investment holding	100	100
Melmer Stoneworks Pte. Ltd. ^{#b} Singapore Cutting, shaping and finishing of stone	50	–

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19. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities

Effective equity held
2023 **2022**
% **%**

Held through Hafary International Pte. Ltd.:

Foshan Hafary Trading Co., Limited People's Republic of China Importing, exporting and distribution of building materials	100	100
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Held through Hafary Element Pte. Ltd.:

International Ceramic Manufacturing Hub Pte. Ltd. Singapore Investment holding	67	65
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Held through International Ceramic Manufacturing Hub Pte. Ltd.:

International Ceramic Manufacturing Hub Sdn. Bhd. Malaysia Manufacturing, importing and exporting of building materials	67	65
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Held through Hafary Building Materials Pte. Ltd.:

Guangdong ITA Element Building Materials Co., Limited ^{#b} People's Republic of China Production and distribution of tiles	65	–
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Held through Hafary Trading Sdn. Bhd. and Guangdong ITA Element Building Materials Co., Limited collectively:

MML x Element International Pte. Ltd. Singapore (Incorporated on 26 May 2023) Trading and distribution of building materials	83	–
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Held through Guangdong ITA Element Building Materials Co., Limited:

Foshan Element Building Material Co., Ltd. ^{#c} People's Republic of China Production and distribution of tiles	62	–
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Foshan Element Ceramic Co., Ltd. ^{#c} People's Republic of China Production and distribution of tiles	65	–
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Notes to the Financial Statements

Year ended 31 December 2023

19. Investments in subsidiaries (cont'd)

All the subsidiaries are audited by RSM SG Assurance LLP, a member firm of RSM International except for: (1) Foshan Hafary Trading Co., Limited and Guangdong ITA Element Building Materials Co., Limited are audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM SG Assurance LLP; and (2) Hafary Trading Sdn. Bhd. and International Ceramic Manufacturing Hub Sdn. Bhd. are audited by RSM Malaysia PLT, a member firm of RSM International.

^{#a} On 17 January 2022, Hafary Pte Ltd acquired an additional 30% equity interest in World Furnishing Hub Pte. Ltd. ("WFH") from its non-controlling interest for a cash consideration of \$3,020,000. As a result of this acquisition, the group holds 81% interests in WFH as at 31 December 2022.

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

^{#b} See Note 21 to the financial statements.

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

	Group	
	2023 \$'000	2022 \$'000
Surface Project Pte. Ltd.	4,671	3,983
World Furnishing Hub Pte. Ltd.	(361)	(551)
International Ceramic Manufacturing Hub Sdn. Bhd.	(1,788)	-
Melmer Stoneworks Pte. Ltd.	4,276	-
Guangdong ITA Element Building Materials Co., Limited	717	-
Other subsidiaries with immaterial non-controlling interests	172	9
Total	<u>7,687</u>	<u>3,441</u>

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

Notes to the Financial Statements

Year ended 31 December 2023

19. Investments in subsidiaries (cont'd)

Summarised statement of profit or loss and other comprehensive income:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.		International Ceramic Manufacturing Hub Sdn. Bhd.		Melmer Stoneworks Pte. Ltd.		Guangdong ITA Element Building Material Co., Limited	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	31,706	28,224	5,434	5,103	22,614	-	12,457	-	2,491	-
Profit (loss) before income tax	6,331	4,288	1,323	1,370	(5,232)	-	2,488	-	(575)	-
Income tax expense	(1,039)	(730)	(323)	(555)	-	-	(433)	-	(3)	-
Profit (loss), net of tax	5,292	3,558	1,000	815	(5,232)	-	2,055	-	(578)	-
Total comprehensive income (loss)	5,292	3,558	1,000	815	(5,232)	-	2,055	-	(578)	-
Total comprehensive income (loss) allocated to non-controlling interests	1,588	1,067	190	170	(1,753)	-	1,027	-	(202)	-
Dividends paid to non-controlling interests	900	900	-	-	-	-	197	-	-	-

Notes to the Financial Statements

Year ended 31 December 2023

19. Investments in subsidiaries (cont'd)

Summarised statement of financial position:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.		International Ceramic Manufacturing Hub Sdn. Bhd.		Melmer Stoneworks Pte. Ltd.		Guangdong ITA Element Building Material Co., Limited	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Current:</u>										
Assets	22,779	21,755	766	235	37,681	-	6,845	-	8,115	-
Liabilities	(7,313)	(8,603)	(9,016)	(8,221)	(45,931)	-	(2,743)	-	(5,731)	-
Total current net assets (liabilities)	15,466	13,152	(8,250)	(7,986)	(8,250)	-	4,102	-	2,384	-
<u>Non-current:</u>										
Assets	213	196	45,092	47,408	18,761	-	436	-	1,384	-
Liabilities	(64)	(24)	(38,855)	(42,435)	(9,733)	-	(535)	-	(530)	-
Total non-current net assets (liabilities)	149	172	6,237	4,973	9,028	-	(99)	-	854	-
Net assets (liabilities)	15,615	13,324	(2,013)	(3,013)	778	-	4,003	-	3,238	-

Notes to the Financial Statements

Year ended 31 December 2023

19. Investments in subsidiaries (cont'd)

Summarised statement of cash flows:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.		International Ceramic Manufacturing Hub Sdn. Bhd.		Melmer Stoneworks Pte. Ltd.		Guangdong ITA Element Building Material Co., Limited	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net cash flows from (used in) operating activities	4,622	2,245	3,385	3,968	(11,226)	-	2,738	-	(4,603)	-
Net cash flows from (used in) investing activities	(270)	72	(21)	(9)	(1,996)	-	(772)	-	4,536	-
Net cash flows from (used in) financing activities	(3,084)	(3,085)	(3,358)	(3,978)	14,044	-	(1,402)	-	303	-

Notes to the Financial Statements

Year ended 31 December 2023

20. Investment in an associate

	Group	
	2023 \$'000	2022 \$'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends	17,532	16,604
Carrying amount	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 ^{#a}		
Socialist Republic of Vietnam	49	49
Importer and dealer of building materials		

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

Notes to the Financial Statements

Year ended 31 December 2023

20. Investment in an associate (cont'd)

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

	Group	
	2023 \$'000	2022 \$'000
Dividends received from the associate	1,312	1,059
Revenue	42,706	59,250
Profit for the year	6,571	7,508
Non-current assets	3,264	3,404
Current assets	42,967	46,550
Current liabilities	(6,666)	(10,124)
<u>Reconciliation:</u>		
Net assets of the associate	39,565	39,830
Proportion of the group's interest in the associate	19,387	19,517
Goodwill on acquisition	758	758
Intangible assets on acquisition	90	90
Foreign exchange gains (losses) adjustments	116	(942)
	20,351	19,423

21. Investments in joint ventures

	Group	
	2023 \$'000	2022 \$'000
Unquoted equity shares at cost	5	3,195
Share of post-acquisition gains (losses), net of dividends	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
Transferred to subsidiaries of the group ^{#a #b}	(2,915)	-
Dividends	-	(137)
Foreign exchange adjustments	(4)	(198)
At end of the year	193	2,832
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	-	1,641

Notes to the Financial Statements

Year ended 31 December 2023

21. Investments in joint ventures (cont'd)

The details of the joint ventures are given as below:

**Name of joint ventures, country of incorporation,
place of operation and principal activities**

Equity held by the Group

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

^{#a} Prior to 1 January 2023, Melmer Stoneworks Pte. Ltd. ("MSPL") is a joint venture of the group and the group owned 50% equity 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 effective from 1 January 2023. Accordingly, no share of profit was accounted since 1 January 2023. Also see Note 37.

^{#b} Prior to 26 October 2023, Guangdong ITA Element Building Materials Co., Limited ("ITA Element") is a joint venture of the group and the group owned 50% equity interest in ITA Element. On 26 October 2023, the group has acquired additional 15% equity 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 effective from 26 October 2023. Accordingly, no share of profit was accounted since 26 October 2023. Also see Note 37.

^{#c} Audited by RSM SG Assurance LLP.

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.

Notes to the Financial Statements

Year ended 31 December 2023

21. Investments in joint ventures (cont'd)

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

	Group	
	2023 \$'000	2022 \$'000
<u>Guangdong ITA Element Building Materials Co., Limited</u>		
Revenue	-	11,186
Loss for the year	-	(251)
Non-current assets	-	2,278
Current assets	-	7,987
Non-current liabilities	-	(2,910)
Current liabilities	-	(3,801)
<u>Reconciliation:</u>		
Net assets of the joint venture	-	3,554
Proportion of the group's interest in the joint venture	-	1,777
Foreign exchange adjustments	-	(136)
	-	1,641

22. Other financial assets, non-current

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Quoted equity investment at fair value through profit or loss	338	335	338	335
Unquoted equity shares at cost	36	-	-	-
Carrying amount	374	335	338	335
Movements in carrying amount:				
At beginning of the year	335	340	335	340
Increase in fair value through profit or loss under other income and gains (Note 7)	3	124	3	124
Acquisition from a subsidiary (Note 37)	36	-	-	-
Disposals	-	(129)	-	(129)
At end of the year (Level 1)	374	335	338	335

Notes to the Financial Statements

Year ended 31 December 2023

22. Other financial assets, non-current (cont'd)

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

The fair value of the financial asset approximates to bid prices in an active market at the end of the reporting year. The financial asset is exposed to price risk of equity shares as disclosed in Note 38H.

There is no investment pledged as security for liabilities.

23. 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
(Reversed) Charged to profit or loss included in impairment losses (Note 9)	(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.

Notes to the Financial Statements

Year ended 31 December 2023

24. Trade and other receivables

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<u>Trade receivables:</u>				
Outside parties	45,127	44,783	-	-
Less: Allowance for impairment	(1,928)	(2,070)	-	-
Subsidiaries (Note 3)	-	-	3,308	2,754
Joint ventures (Note 3)	38	873	-	-
Other related parties (Note 3)	951	356	-	-
Director	-	7	-	-
Retention receivables on contracts	2,882	2,609	-	-
Trade receivables – subtotal	47,070	46,558	3,308	2,754
<u>Other receivables:</u>				
Outside parties	1,038	523	6	230
Subsidiaries (Note 3)	-	-	26,995	32,653
Joint ventures (Note 3) # ^a	1,575	4,140	-	-
Other related parties (Note 3)	3,465	-	-	-
Less: Allowance for impairment	(697)	(483)	-	-
Refundable deposits	3,890	2,558	-	-
Other receivables – subtotal	9,271	6,738	27,001	32,883
Total trade and other receivables	56,341	53,296	30,309	35,637
<u>Movements in above allowance on trade receivables:</u>				
At beginning of the year	2,070	2,149	-	-
Additions – individually impaired (Note 9)	797	184	-	-
(Reversal) Additions – collectively impaired (Note 9)	(39)	106	-	-
Bad debts written-off	(900)	(369)	-	-
At end of the year	1,928	2,070	-	-
<u>Movements in above allowance on other receivables:</u>				
At beginning of the year	483	350	-	-
Additions – individually impaired (Note 9)	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, Guangdong ITA Element Building Materials Co., Limited (“ITA Element”), 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% equity 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 effective from 26 October 2023. Accordingly, the loan to ITA Element is eliminated the group level.

Notes to the Financial Statements

Year ended 31 December 2023

24. Trade and other receivables (cont'd)

Refer to Note 38 on material accounting policy and other explanatory information on financial instruments.

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

As the group and company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statement of financial position except for financial guarantee contracts provided to banks (Note 38E).

(i) Concentration of credit risk

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

(ii) Credit risk exposure

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

- 96% (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.

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

	Group	
	2023 \$'000	2022 \$'000
<u>Trade receivables:</u>		
1 to 30 days	6,178	5,027
31 to 60 days	3,729	2,921
61 to 90 days	1,522	1,308
Over 90 days	7,601	6,479
Total	<u>19,030</u>	<u>15,735</u>

Notes to the Financial Statements

Year ended 31 December 2023

24. Trade and other receivables (cont'd)

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

	Group	
	2023	2022
	\$'000	\$'000
<u>Trade receivables:</u>		
Over 90 days	<u>1,689</u>	<u>1,791</u>

The allowance on trade receivables above is based on individual accounts totaling \$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 including the impact of the current economic conditions. The allowance model is based on the historical observed default rates (over a period of 12 months to 18 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The ageing of the trade receivables is as follows:

Group:	Gross amount	Expected loss rate	Loss allowance
	\$'000	%	\$'000
<u>2023:</u>			
Current	27,067	0.1	33
1 to 30 days past due	6,178	1.6	101
31 to 60 days past due	3,729	1.3	48
61 to 90 days past due	1,522	0.9	14
Over 90 days past due	7,601	0.6	43
Total	<u>46,097</u>	<u>0.5</u>	<u>239</u>
<u>2022:</u>			
Current	30,284	0.5	139
1 to 30 days past due	5,027	0.9	47
31 to 60 days past due	2,921	0.8	22
61 to 90 days past due	1,308	1.8	23
Over 90 days past due	4,688	1.0	48
Total	<u>44,228</u>	<u>0.6</u>	<u>279</u>

Notes to the Financial Statements

Year ended 31 December 2023

24. Trade and other receivables (cont'd)

Expected credit losses (cont'd)

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 is no collateral held as security and other credit enhancements for the trade receivables held by the group and company.

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

Other receivables are normally with no fixed terms and therefore there is no fixed maturity date. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

At the end of the reporting year ended 31 December 2023, a loss allowance of \$697,000 (2022: \$483,000) is recognised on other receivables.

25. Other non-financial assets

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Advance payments to suppliers	6,253	4,685	–	–
Contract assets (Note 25A)	175	378	–	–
Prepayments	184	243	2	3
Deposits to secure services	540	45	–	–
Lease incentive	79	92	–	–
Total other non-financial assets	7,231	5,443	2	3

25A. Contract assets

	Group	
	2023 \$'000	2022 \$'000
Consideration for work completed but not billed	175	378
The movements in contract assets are as follows:		
At beginning of the year	378	144
Cost incurred during the year on uncompleted contracts	1,846	3,071
Transfers to trade receivables	(2,049)	(2,837)
At the end of the year	175	378

Notes to the Financial Statements

Year ended 31 December 2023

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

25A. Contract assets (cont'd)

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

	Group	
	2023	2022
	\$'000	\$'000
Expected to be recognised as revenue within 1 year	175	378

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional.

26. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Not restricted in use	17,382	10,989	39	30
Cash pledged for bank facilities #	515	515	–	–
	17,897	11,504	39	30

The interest earning balances are not significant.

This is for amounts held by bankers to cover the bank facilities granted.

26A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2023	2022
	\$'000	\$'000
Amount as shown above	17,897	11,504
Cash pledged for bank facilities	(515)	(515)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	17,382	10,989

Notes to the Financial Statements

Year ended 31 December 2023

26. Cash and cash equivalents (cont'd)

26B. Non-cash transactions

	Group	
	2023 \$'000	2022 \$'000
Acquisitions of certain assets under property, plant and equipment that remains unpaid included under other payables	–	(1,290)
Acquisitions of certain assets under property, plant and equipment or right-of-use assets under lease contracts	(4,744)	(2,158)
	(4,744)	(3,448)

26C. Reconciliation of liabilities arising from financing activities

Group:	At beginning of the year \$'000	Cash flows \$'000	Non-cash changes \$'000	At end of the year \$'000
<u>2023:</u>				
Long-term borrowings	173,016	(5,936)	1,119^(a)	168,199
Short-term borrowings	76,130	9,550	622^(a)	86,302
Lease liabilities	14,398	(1,595)	5,639^(b)	18,442
Total liabilities from financing activities	263,544	2,019	7,380	272,943
<u>2022:</u>				
Long-term borrowings	112,924	60,092	–	173,016
Short-term borrowings	55,142	20,988	–	76,130
Lease liabilities	13,417	(1,596)	2,577 ^(b)	14,398
Total liabilities from financing activities	181,483	79,484	2,577	263,544

^(a) Arising from acquisition of subsidiaries (Note 37)

^(b) Interest expense and additions of right-of-use assets under lease contracts.

27. Share capital

	Group and company	
	Number of shares issued '000	Share capital \$'000
Ordinary shares of no par value:		
Balance at 1 January 2022, 31 December 2022 and 31 December 2023	430,550	26,930

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

Notes to the Financial Statements

Year ended 31 December 2023

27. Share capital (cont'd)

Capital management:

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

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

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

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

	Group	
	2023	2022
	\$'000	\$'000
<u>Net debt:</u>		
All current and non-current borrowings including leases	272,943	263,544
Less: Cash and cash equivalents	(17,897)	(11,504)
Net debt	255,046	252,040
<u>Adjusted capital:</u>		
Total equity	125,835	96,012
Debt-to-adjusted capital ratio	202.7%	262.5%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted by favourable change with improved retained earnings.

Notes to the Financial Statements

Year ended 31 December 2023

28. 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.

29. Loans and borrowings

	Group	
	2023	2022
	\$'000	\$'000
<u>Non-current:</u>		
<u>With floating interest rates:</u>		
Bank loan P (secured) (Note 29I)	11,324	11,664
Bank loan U (secured) (Note 29M)	59,100	61,600
Bank loan Y (unsecured) (Note 29O)	7,850	–
Subtotal	78,274	73,264
<u>With fixed interest rates:</u>		
Bank loan F (secured) (Note 29C)	7,527	8,594
Bank loan H (secured) (Note 29E)	35,275	38,219
Bank loan I (secured) (Note 29F)	6,081	7,297
Bank loan J (secured) (Note 29F)	5,473	6,567
Bank loan K (secured) (Note 29G)	1,976	2,148
Bank loan M (unsecured) (Note 29H)	388	1,153
Bank loan N (unsecured) (Note 29H)	430	937
Bank loan O (unsecured) (Note 29H)	118	244
Bank loan Q (unsecured) (Note 29H)	608	982
Bank loan R (secured) (Note 29J)	24,774	25,909
Bank loan S (secured) (Note 29K)	976	1,455
Bank loan T (secured) (Note 29L)	5,815	6,247
Bank loan W (unsecured) (Note 29H)	484	–
Subtotal	89,925	99,752
Non-current, total	168,199	173,016

Notes to the Financial Statements

Year ended 31 December 2023

29. Loans and borrowings (cont'd)

	Group	
	2023	2022
	\$'000	\$'000
<u>Current:</u>		
<u>With floating interest rates:</u>		
Bank loan A (secured) (Note 29A)	8,500	5,500
Bank loan B (secured) (Note 29A)	8,000	8,000
Bank loan C (secured) (Note 29A)	1,000	3,000
Bank loan D (unsecured) (Note 29B)	8,000	9,000
Bank loan E (unsecured) (Note 29B)	3,500	2,000
Bank loan G (secured) (Note 29D)	3,750	4,500
Bank loan L (secured) (Note 29A)	5,500	5,500
Bank loan P (secured) (Note 29I)	449	596
Bank loan U (secured) (Note 29M)	2,500	–
Bank loan V (unsecured) (Note 29N)	6,000	500
Bank loan X (unsecured) (Note 29N)	1,436	–
Bank loan Y (unsecured) (Note 29O)	1,340	–
Bank loan Z (unsecured) (Note 29N)	2,872	–
Bank loan AA (unsecured) (Note 29P)	297	–
Trust receipts and bills payable (Note 29Q)	22,212	27,269
Subtotal	75,356	65,865
<u>With fixed interest rates:</u>		
Bank loan F (secured) (Note 29C)	1,066	1,066
Bank loan H (secured) (Note 29E)	2,945	2,945
Bank loan I (secured) (Note 29F)	1,216	1,216
Bank loan J (secured) (Note 29F)	1,095	1,095
Bank loan K (secured) (Note 29G)	172	172
Bank loan M (unsecured) (Note 29H)	765	750
Bank loan N (unsecured) (Note 29H)	507	497
Bank loan O (unsecured) (Note 29H)	126	124
Bank loan Q (unsecured) (Note 29H)	374	367
Bank loan R (secured) (Note 29J)	1,135	1,135
Bank loan S (secured) (Note 29K)	479	472
Bank loan T (secured) (Note 29L)	432	426
Bank loan W (unsecured) (Note 29H)	634	–
Subtotal	10,946	10,265
Current, total	86,302	76,130
Total	254,501	249,146
<u>The non-current portion is repayable as follows:</u>		
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

Notes to the Financial Statements

Year ended 31 December 2023

29. Loans and borrowings (cont'd)

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

	Group	
	2023 %	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	–

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

Notes to the Financial Statements

Year ended 31 December 2023

29. Loans and borrowings (cont'd)

29A. Bank loans A, B, C and L (secured)

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

- (i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
- (ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
- (iii) Corporate guarantee from the company.
- (iv) Need to comply with certain financial covenants.

29B. 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.

29C. Bank loan F (secured)

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

- (i) Repayable by equal monthly instalments over 20 years from November 2011 and July 2013 respectively.
- (ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
- (iii) Corporate guarantees from the company and a subsidiary.
- (iv) Need to comply with certain financial covenants.

29D. Bank loan G (secured)

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

- (i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months), subject to yearly reduction of \$750,000 over 8 years until the limit is reduced to \$4,000,000.
- (ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
- (iii) Corporate guarantees from the company and a subsidiary.
- (iv) Need to comply with certain financial covenants.

Notes to the Financial Statements

Year ended 31 December 2023

29. Loans and borrowings (cont'd)

29E. Bank loan H (secured)

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

- (i) Repayable by over 3 years fixed principal instalment of \$125,000 each and remaining by equal monthly instalments over 12 years commencing from May 2017.
- (ii) Legal mortgage on a leasehold property (Note 15) and leasehold land (Note 16).
- (iii) Legal assignment of insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the leasehold property.
- (iv) Joint and several corporate guarantees from the company and a subsidiary.
- (v) Personal guarantee from a director cum a shareholder.
- (vi) Need to comply with certain financial covenants.

29F. Bank loans I and J (secured)

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

- (i) Repayable by equal monthly instalments over 14 years from January 2016.
- (ii) Legal mortgage on certain leasehold properties (Note 15) and leasehold land (Note 16).
- (iii) Corporate guarantees from the company and a subsidiary.
- (iv) Need to comply with certain financial covenants.

29G. Bank loan K (secured)

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

- (i) Repayable by equal monthly instalments over 20 years from July 2016.
- (ii) Legal mortgage on an investment property (Note 17).
- (iii) Assignment of rental proceeds.
- (iv) Corporate guarantee from the company.
- (v) Personal guarantee from a director.
- (vi) Need to comply with certain financial covenants.

29H. 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.

Notes to the Financial Statements

Year ended 31 December 2023

29. Loans and borrowings (cont'd)

29I. Bank loan P (secured)

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

- (i) Repayable by equal monthly instalments over 20 years.
- (ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
- (iii) Legal mortgage on a leasehold property (Note 15).
- (iv) Corporate guarantee from the company.
- (v) Need to comply with certain financial covenants.

29J. Bank loan R (secured)

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

- (i) Repayable by equal monthly instalments over 25 years.
- (ii) The loan has an interest servicing period for the first 6 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
- (iii) Legal mortgage on a leasehold land (Note 16).
- (iv) Corporate guarantee from a subsidiary.
- (v) Need to comply with certain financial covenants.

29K. Bank loan S (secured)

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

- (i) Repayable by equal monthly instalments over 5 years.
- (ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
- (iii) Legal mortgage on a leasehold property (Note 15).
- (iv) Corporate guarantee from the company.
- (v) Need to comply with certain financial covenants.

29L. Bank loan T (secured)

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

- (i) Repayable by equal monthly instalments over 5 years.
- (ii) Legal mortgage on a leasehold property (Note 15).
- (iii) Corporate guarantee from a subsidiary.
- (iv) Need to comply with certain financial covenants.

Notes to the Financial Statements

Year ended 31 December 2023

29. Loans and borrowings (cont'd)

29M. Bank loan U (secured)

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

- (i) Repayable by equal monthly instalments over 5 years, commencing March 2024.
- (ii) The loan has an interest servicing period for the first 15 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
- (iii) Legal mortgage on a mix of leasehold property (Note 15), leasehold land (Note 16) and investment property (Note 17).
- (iv) Corporate guarantee from the company and a subsidiary.
- (v) Need to comply with certain financial covenants.

29N. Bank loan V, X and Z (unsecured)

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

- (i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
- (ii) Corporate guarantee from the company.

29O. Bank loan Y (unsecured)

The agreement for the bank 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

29P. 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.

29Q. Trust receipts and bills payable

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

Notes to the Financial Statements

Year ended 31 December 2023

30. Lease liabilities

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

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

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
At beginning of reporting year	14,398	13,417	-	101
Additions	4,439	2,158	-	-
Acquisition from subsidiary (Note 37)	841	-	-	-
Accretion of interest	500	421	-	3
Lease payments – principal portion paid	(1,595)	(1,596)	-	(101)
Interest paid	(8)	(2)	-	(3)
Foreign exchange adjustments	(133)	-	-	-
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.

Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

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

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

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Notes to the Financial Statements

Year ended 31 December 2023

30. Lease liabilities (cont'd)

A summary of the maturity analysis of lease liabilities is disclosed in Note 38E. Total cash outflows from leases are shown in the consolidated statement of cash flows. The related right-of-use assets are disclosed in Note 16.

During the reporting year, expense of the group relating to short-term leases included in other expenses was \$308,000 (2022: \$609,000) (Note 10).

31. Provision

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

32. Trade and other payables

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	32,874	17,401	2,699	2,101
Joint venture (Note 3)	–	468	–	–
Other related parties (Note 3)	12,392	2,721	–	–
Trade payables – subtotal	45,266	20,590	2,699	2,101
<u>Other payables:</u>				
Outside parties ^{#a}	6,004	4,093	–	–
Subsidiary (Note 3)	–	–	9,400	9,400
Joint ventures (Note 3)	–	798	–	–
Other related party (Note 3)	1,248	284	–	–
Director cum shareholder (Note 3)	889	889	–	–
Other payables – subtotal	8,141	6,064	9,400	9,400
Total trade and other payables	53,407	26,654	12,099	11,501

^{#a} Included in other payables is a loan from CNA Pte. Ltd., a shareholder of a subsidiary, International Ceramic Manufacturing Hub Pte. Ltd., amounting to \$2,713,000 (2022: \$1,413,000), which is unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

Year ended 31 December 2023

33. Other non-financial liabilities

	Group	
	2023 \$'000	2022 \$'000
Contract liabilities – advance payments from customers	7,776	8,053
Lease incentives	88	88
Total other non-financial liabilities	<u>7,864</u>	<u>8,141</u>

The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the goods or service transfers to the customer.

34. Derivative financial assets (liabilities)

	Group	
	2023 \$'000	2022 \$'000
Forward foreign exchange contracts	<u>(1)</u>	<u>81</u>
The movements during the year were as follows:		
At beginning of the year	81	(64)
(Decrease) Increase in fair value through profit or loss under (other losses) other gains (Note 7)	<u>(82)</u>	145
At end of the year	<u>(1)</u>	<u>81</u>

Notes to the Financial Statements

Year ended 31 December 2023

34. Derivative financial assets (liabilities) (cont'd)

34A. Forward foreign exchange contracts

The gross amounts of all notional values for contracts that have not yet been settled or cancelled at the end of the reporting year were as follows:

Group: Maturity	Reference currency				Total
	United States Dollar		Euro		Fair value \$'000
	Principal US\$'000	Fair value \$'000	Principal €'000	Fair value \$'000	
<u>2023:</u>					
Within 2 months	56	(1)	2,372	(1)	(2)
Within 3 to 4 months	-	-	2,000	2	2
Within 5 to 6 months	-	-	458	(1)	(1)
	56	(1)	4,830	-	(1)
<u>2022:</u>					
Within 2 months	87	(1)	2,401	54	53
Within 3 to 4 months	-	-	3,729	38	38
Within 5 to 6 months	-	-	1,446	(10)	(10)
	87	(1)	7,576	82	81

The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

The purpose of these contracts is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in the foreign currencies indicated above. The forward currency contracts are put in place in order to hedge the anticipated purchases that will be made in the foreign currencies indicated over the next reporting year.

The fair value (Level 2) of forward foreign exchange contracts is based on current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

Notes to the Financial Statements

Year ended 31 December 2023

35. 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 \$'000	2022 \$'000
Commitments to purchase plant and equipment	–	78
Contractual obligations for construction works for investment property and property, plant and equipment	6,527	10,154
Total	6,527	10,232

36. Operating lease income commitments – as lessor

A maturity analysis of the undiscounted lease amounts to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years is as follows:

	Group	
	2023 \$'000	2022 \$'000
Not later than one year	4,122	4,752
Between one and two years	2,856	2,076
Between two and three years	1,916	838
Between three and four years	14	262
Total	8,908	7,928
Rental income for the year (Note 7)	4,983	5,215

Operating lease income commitments are for certain leasehold and freehold properties. The lease rental income terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of rent increase is not to exceed a certain percentage.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As the lessor, the group manages the risk associated with any rights it retains in the underlying assets including any means to reduce that risk. Such means may include, insurance coverage, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits, having clauses in the leases providing for compensation to the lessor when a property has been subjected to excess wear-and-tear during the lease term.

Notes to the Financial Statements

Year ended 31 December 2023

37. Acquisition of subsidiaries

Melmer Stoneworks Pte. Ltd. ("MSPL")

On 1 January 2023, the subsidiary of the group, Hafary Pte Ltd entered into a new Partnership Agreement ("2023 Partnership Agreement") with the existing shareholder of MSPL. Management reassessed the group's control over MSPL via its rights in the 2023 Partnership Agreement, its involvement in business and its power through its board representation and the chairman's decision making rights. Management considered the facts and has assessed that the group obtains control over MSPL.

The group has engaged an external valuer to perform the purchase price allocation exercise. The fair values of the identifiable assets, liabilities, non-controlling interest, and the resultant goodwill on the date of acquisition are as follows:

	Fair value
	\$'000
<u>Group</u>	
Plant and equipment	325
Right-of-use asset	436
Customer relationships	3,892
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	(1,119)
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 identified assets	6,891
Less: Non-controlling interest	(3,446)
Add: Goodwill arising from acquisition	5,233
Purchase consideration, being fair value of the previously held 50% interests in the investee	8,678
Less: carrying value of the investment in joint venture (Note 21)	(1,171)
Fair value gain on remeasurement of the previously held interests in the investee	7,507
Net cash inflow on acquisition is as follows:	
	2023
	\$'000
Cash and cash equivalents in subsidiary acquired	1,103
Less: Cash consideration paid	-
Net cash inflow on acquisition	1,103

Notes to the Financial Statements

Year ended 31 December 2023

37. Acquisition of subsidiaries (cont'd)

Guangdong ITA Element Building Materials Co., Limited ("ITA Element")

The group acquired additional 15% of the existing shares ITA Element in October 2023 and accordingly the group investment increased from 50% to 65%. As at the end of the reporting year, management completed the initial acquisition accounting on a provisional basis. The acquisition accounting will be finalised within twelve months from the date of acquisition 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.

The fair values of identifiable assets acquired and liabilities assumed shown below for ITA Element are provisional as the hindsight period (of not more than twelve months) allowed by the financial reporting standard on business combinations has not yet expired. A detailed report from an independent professional valuer on the fair values is expected to be available before the end of the next reporting year.

	Pre-acquisition book value under SFRS (I) \$'000
<u>Group</u>	
Property, plant and equipment	660
Other financial assets	36
Right-of-use assets	828
Inventories	4,075
Trade and other receivables	1,476
Other non-financial assets	1,453
Cash and cash equivalents	357
Lease liabilities	(841)
Income tax payable	(392)
Trade and other payables	(2,511)
Other non-financial liabilities	(1,645)
Net identified assets	3,496
Less: Non-controlling interest	(911)
Purchase consideration	<u>2,585</u>
Reconciliation of purchase consideration:	
Carrying value of the investment in joint venture (Note 21)	1,744
Cash consideration paid	841
Purchase consideration	<u>2,585</u>
Net cash outflow on acquisition is as follows:	
	2023
	\$'000
Cash and cash equivalents in subsidiary acquired	357
Less: Cash consideration paid	(841)
Net cash outflow on acquisition	<u>(484)</u>

Notes to the Financial Statements

Year ended 31 December 2023

37. Acquisition of subsidiaries (cont'd)

Guangdong ITA Element Building Materials Co., Limited ("ITA Element") (cont'd)

The non-controlling interest of 35% in the acquiree at the acquisition date was measured based on the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The goodwill arising on acquisition of above subsidiaries are attributable to the anticipated profitability of the acquired subsidiaries and the anticipated future operating synergies from the combination.

The goodwill is not deductible for tax purposes.

The contribution from ITA Element for the period between the date of acquisition and the statement of financial position date had the transactions been effected at the beginning of the year were as follows:

	From date of acquisition in 2023 \$'000
<u>Group</u>	
Revenue	2,491
Loss before tax	(578)

38. Financial instruments: information on material policy information and financial risks

Recognition and derecognition of financial instruments:

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

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

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38A. Categories of financial assets and financial liabilities

The financial reporting standard on financial instruments requires the categorisation of financial instruments. At the end of the reporting year, the reporting entity had the following categories financial assets and liabilities:

- Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
- Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): On initial recognition of an equity investment that is not held for trading, an irrevocably election may be made to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Fair value changes are recognised in OCI but dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. The gain or loss that is presented in OCI includes any related foreign exchange component arising on non-monetary investments (eg, equity instruments). On disposal, the cumulative fair value changes are not recycled to profit or loss but remain in reserves within equity. The weighted average or specific identification method is used when determining the cost basis of equities being disposed of.
- Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): A debt asset instrument is measured at fair value through other comprehensive income (FVTOCI) only if it meets both of the following conditions and is not designated as at FVTPL, that is (a): the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets are not reclassified subsequent to their initial recognition, except when, and only when, the reporting entity changes its business model for managing financial assets (expected to be rare and infrequent events). The previously recognised gains, losses, or interest cannot be restated. When these financial assets are derecognised, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.
- Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- Financial liabilities are categorised as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38A. Categories of financial assets and financial liabilities (cont'd)

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

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Financial assets:				
Financial assets at amortised cost	74,238	64,800	30,348	35,667
Financial assets at fair value through profit or loss	374	335	338	335
Derivatives financial instruments at fair value	–	81	–	–
	74,612	65,216	30,686	36,002
Financial liabilities:				
Financial liabilities at amortised cost	326,350	290,198	12,099	11,501
Derivatives financial instruments at fair value	1	–	–	–
	326,351	290,198	12,099	11,501

Further quantitative disclosures are included throughout these financial statements.

38B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior management staff.

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38B. Financial risk management (cont'd)

- (iv) All financial risk management activities are carried out following market practices.
- (v) When appropriate, consideration is given to investing in shares or similar instruments.
- (vi) When appropriate, consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

The financial controller who monitors the procedures and reports to the Audit Committee of the board.

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

38C. Fair values of financial instruments

See Note 2A on accounting policy. The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the material financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments. The disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

38D. Credit risk on financial assets

Financial assets subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner arise principally from cash balances with banks, receivables and other financial assets. The general approach in the financial reporting standard on financial instruments is applied to measure expected credit losses (ECL) allowance on financial assets the ECL allowance. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL unless the assets are considered credit impaired. The ECL allowance for debt assets is recognised at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. However, for trade receivables that do not contain a material financing component or when the reporting entity applies the practical expedient of not adjusting the effect of a material financing component, the simplified approach in calculating ECL is applied. Under the simplified approach, the loss allowance is recognised at an amount equal to lifetime ECL at each reporting date using historical loss rates for the respective risk categories and incorporating forward-looking estimates. Lifetime ECL may be estimated individually or collectively. For the credit risk on the financial assets an ongoing credit evaluation is performed on the financial condition of the debtors and any loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 26 discloses the cash and cash equivalents balances. There was no identified impairment loss.

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity.

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

Group:	Less than 1 year \$'000	1 to 3 years \$'000	3 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<u>2023:</u>					
Gross loans and borrowings	94,939	40,296	83,072	67,180	285,487
Lease liabilities	3,406	4,803	1,750	15,613	25,572
Trade and other payables	53,407	–	–	–	53,407
	151,752	45,099	84,822	82,793	364,466
<u>2022:</u>					
Gross loans and borrowings	82,736	35,086	85,348	73,368	276,538
Lease liabilities	1,429	2,467	1,422	16,294	21,612
Trade and other payables	26,654	–	–	–	26,654
	110,819	37,553	86,770	89,662	324,804
Group:	Less than 1 year \$'000		Total \$'000		
<u>2023:</u>					
Trade and other payables	12,099		12,099		
	12,099		12,099		
<u>2022:</u>					
Trade and other payables	11,501		11,501		
	11,501		11,501		

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Less than 1 year	
	2023	2022
	\$'000	\$'000
<u>Group:</u>		
Forward currency forward contracts	<u>7,125</u>	<u>10,919</u>

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included based on the earliest date on which it can be required to pay.

Financial guarantee contracts – For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company:	Less than	1 to 3	3 to 5	More than	Total
	1 year	years	years	5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>2023:</u>					
Financial guarantee contracts in favour of subsidiaries (Note 3)	<u>83,794</u>	<u>26,267</u>	<u>69,115</u>	<u>34,557</u>	<u>213,733</u>
<u>2022:</u>					
Financial guarantee contracts in favour of subsidiaries (Note 3)	<u>73,925</u>	<u>22,468</u>	<u>69,764</u>	<u>40,313</u>	<u>206,470</u>

The average credit period taken to settle trade payables is about 60 days (2022: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. The interest from financial assets is not material.

The following table analyses the breakdown of the significant financial instruments by type of interest rate at the end of the reporting year:

	Group	
	2023	2022
	\$'000	\$'000
<u>Financial liabilities with interest:</u>		
Fixed rates	119,313	124,415
Floating rates	153,630	139,129
	272,943	263,544

The floating rate debt instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2023	2022
	\$'000	\$'000
<u>Financial liabilities:</u>		
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax profit for the year by	1,536	1,391

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency that is a currency other than the functional currency in which they are measured. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency as defined in the financial reporting standard on financial instruments:

Analysis of amounts of financial assets and financial liabilities denominated in non-functional currencies at end of the reporting year is as follows:

Group	United States Dollar \$'000	Euro \$'000	Ringgit Malaysia \$'000	Chinese Renminbi \$'000	Total \$'000
<u>2023:</u>					
<u>Financial assets:</u>					
Cash and cash equivalents	106	14	-	-	120
Loans and receivables	3,066	17	-	-	3,083
Total financial assets	3,172	31	-	-	3,203
<u>Financial liabilities:</u>					
Loans and borrowings	-	(8,430)	-	-	(8,430)
Trade and other payables	(212)	(1,449)	(1,109)	(418)	(2,770)
Total financial liabilities	(212)	(9,879)	(1,109)	(418)	(11,618)
Net financial assets (liabilities)	2,960	(9,848)	(1,109)	(418)	(8,415)
<u>2022:</u>					
<u>Financial assets:</u>					
Cash and cash equivalents	713	24	-	-	737
Loans and receivables	1,693	619	-	-	2,312
Total financial assets	2,406	643	-	-	3,049
<u>Financial liabilities:</u>					
Loans and borrowings	-	(12,778)	-	-	(12,778)
Trade and other payables	(4,262)	(457)	-	(246)	(4,965)
Total financial liabilities	(4,262)	(13,235)	-	(246)	(17,743)
Net financial liabilities	(1,856)	(12,592)	-	(246)	(14,694)

There is exposure to foreign currency risk as part of the group's normal business. In particular, there is significantly exposure to United States Dollar, Euro, Ringgit Malaysia and Chinese Renminbi currency risk due to the large value of purchases denominated in these currencies and the group sells its goods in Singapore Dollar. In this respect, forward currency contracts are entered into for the purpose of hedging the purchases in United States Dollar and Euro. Note 34A disclosed the forward currency contracts in place at the end of the reporting year.

Notes to the Financial Statements

Year ended 31 December 2023

38. Financial instruments: information on material policy information and financial risks (cont'd)

38G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2023 \$'000	2022 \$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the following currencies with all other variables held constant would have a favourable effect on pre-tax profit of:		
United States Dollar	(296)	186
Euro	985	1,259
Ringgit Malaysia	111	–
Chinese Renminbi	42	25

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the group has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

38H. Equity price risk

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities.

Sensitivity analysis: The effect on pre-tax profit is not significant.

Notes to the Financial Statements

Year ended 31 December 2023

39. Changes and adoption of financial reporting standards

For the current reporting year, the Singapore Accounting Standards Committee issued new or revised financial reporting standards. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

SFRS(I) No.	Title
SFRS(I) 1-8	Definition of Accounting Estimates – Amendments to
SFRS(I) 1-12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to
SFRS(I) 1-12	International Tax Reform – Pillar Two Model Rules – Amendments to

40. New or amended standards in issue but not yet effective

For the future reporting years, the Singapore Accounting Standards Committee issued certain new or revised financial reporting standards and these will only be effective for future reporting years. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any material modification of the measurement methods or the presentation in the financial statements for the following reporting year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the group's financial statements in the period of initial application. Those applicable to the group for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-1	Presentation of Financial Statements- amendment relating to Classification of Liabilities as Current or Non-current	1 January 2024
SFRS(I) 1- 1	Presentation of Financial Statements- amendment relating to Non-current Liabilities with Covenants	1 January 2024
SFRS(I) 1-21	The Effects of Changes in Foreign Exchange Rates (amendment) Lack of Exchangeability	1 January 2025
SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	To be determined

41. 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, the group increased its interests in WFH from 81% to 100%. The difference between the consideration and the carrying value of the additional interests acquired of \$291,000 has been recognised as an "acquisition of non-controlling interest without a change in control" and accounted with equity of the group after the reporting year.

Statistics of Shareholdings

As at 15 March 2024

Number of shares	:	430,550,000
Class of equity securities	:	Ordinary
Voting rights	:	One vote per ordinary share
Treasury shares and subsidiary holdings held	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.52	140	0.00*
100 - 1,000	35	6.03	16,800	0.00*
1,001 - 10,000	147	25.35	994,110	0.23
10,001 - 1,000,000	383	66.03	28,822,229	6.70
1,000,001 AND ABOVE	12	2.07	400,716,721	93.07
TOTAL	580	100.00	430,550,000	100.00

* Less than 0.01%

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST	%	DEEMED INTEREST	%
HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82	-	-
HAP SENG CONSOLIDATED BERHAD ¹	-	-	218,790,000	50.82
GEK POH (HOLDINGS) SDN. BHD. ¹	-	-	218,790,000	50.82
MAGIC PRINCIPLE ASSETS LIMITED ²	-	-	218,790,000	50.82
HSBC INTERNATIONAL TRUSTEE LIMITED ²	-	-	218,790,000	50.82
TAN SRI DATUK SERI PANGLIMA LAU CHO KUN @ LAU YU CHAK ³	-	-	218,790,000	50.82
LOW KOK ANN ⁴	36,847,403	8.56	-	-
LOW SEE CHING ^{4,5}	109,547,280	25.44	-	-
LOW BEE LAN AUDREY ⁴	22,133,857	5.14	-	-

Notes:

- (1) Gek Poh (Holdings) Sdn. Bhd. ("GPH") holds a 62.64% comprising direct and indirect interest of 54.63% and 8.01% respectively in Hap Seng Consolidated Berhad ("HSCB"), which wholly-owns Hap Seng Investment Holdings Pte Ltd ("HSIHPL"). GPH and HSCB are each deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act 1967 of Singapore (the "Act").
- (2) Magic Principle Assets Limited ("MPAL") holds a 44% interest in GPH, and is wholly-owned by HSBC International Trustee Limited ("HSBC"). MPAL and HSBC are deemed interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (3) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in GPH, and is deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (4) Low Kok Ann is the father of Low See Ching and Low Bee Lan Audrey.
- (5) 32,000,000 ordinary shares are held in the name of UOB Kay Hian Private Limited and 20,000,000 ordinary shares are held in the name of CGS-CIMB Securities (Singapore) Pte Ltd and Maybank Securities Pte. Ltd. each.

Statistics of Shareholdings

As at 15 March 2024

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82
2	LOW SEE CHING (LIU SHIJIN)	37,547,280	8.72
3	LOW KOK ANN	36,847,403	8.56
4	HONG LEONG FINANCE NOMINEES PTE LTD	32,869,600	7.63
5	LOW BEE LAN AUDREY	22,133,857	5.14
6	CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD.	20,604,941	4.79
7	MAYBANK SECURITIES PTE. LTD.	20,015,600	4.65
8	PHILLIP SECURITIES PTE LTD	3,909,760	0.91
9	PHOON WAIE KUAN	2,295,480	0.53
10	DBS NOMINEES (PRIVATE) LIMITED	2,215,700	0.51
11	OCBC SECURITIES PRIVATE LTD	1,980,100	0.46
12	CITIBANK NOMINEES SINGAPORE PTE LTD	1,507,000	0.35
13	GOH KEE CHOO (WU QIZHU)	995,700	0.23
14	TAY ENG KIAT JACKSON (ZHENG YINGJIE)	650,000	0.15
15	LOW EE HWEE	630,000	0.15
16	AH HOT GERARD ANDRE	620,000	0.14
17	EVANGELIN YEW LEET LING (EVANGELIN YAO LILING)	551,400	0.13
18	RAFFLES NOMINEES (PTE.) LIMITED	516,920	0.12
19	ANG KIAN CHUAN	500,000	0.12
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	498,159	0.12
	TOTAL:	405,678,900	94.23

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

10.04% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of Listing Manual of the Singapore Exchange Securities Trading Limited.

Additional Information on Directors Seeking Re-Election

The following additional information on Datuk Edward Lee Ming Foo, JP is seeking re-election as Director at the forthcoming Annual General Meeting.

Name	: Datuk Edward Lee Ming Foo, JP Non-Independent Non-Executive Director
Date of first appointment	: 6 March 2015
Age	: 69
Country of principal residence	: Malaysia
Date of last re-appointment	: 14 April 2021
The Board's comments on the re-appointment	: The Board has considered the Nomination Committee's recommendation and assessments of Datuk Edward Lee's qualifications, experiences, fit and proper criteria and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	: Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	: Non-Independent Non-Executive Director
Professional qualifications	: Bachelor of Arts from McMaster University in Canada
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	: Yes. A director of Hap Seng Consolidated Berhad ("HSCB"), Malaysian Mosaics Sdn Bhd ("MMSB") and Hap Seng Investment Holdings Pte Ltd ("HSIHPL"). MMSB and HSIHPL are the wholly-owned subsidiaries of HSCB. HSIHPL holds 50.82% shareholding in Hafary Holdings Limited.
Conflict of interest (including any competing business)	: Yes. Common director of Malaysian Mosaics Sdn Bhd and MML (Shanghai) Trading Co., Ltd..
Working experience and occupation(s) during the past 10 years	: Datuk Edward Lee is presently the Managing Director of HSCB and Hap Seng Plantations Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, he is the Managing Director of Gek Poh (Holdings) Sdn Bhd, the holding company of HSCB.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary	: Yes
Shareholding interest in the listed issuer and its subsidiaries	: Nil

Additional Information on Directors Seeking Re-Election

Name	: Datuk Edward Lee Ming Foo, JP Non-Independent Non-Executive Director
Shareholding details	: Nil
Other principal commitments including directorships	
Past (for the last 5 years)	: <u>Non-listed companies:</u> <ul style="list-style-type: none"> • Blue Star Property Sdn Bhd • Hap Seng Land Development (Bangsar) Sdn Bhd (under member's voluntary winding up) • Hap Seng Land Development (JTR) Sdn Bhd (under member's voluntary winding up) • HSC Manchester Holding Limited (member's voluntary winding up completed on 26 December 2021) • HSC Melbourne Holding Pte Ltd (struck off from ACRA on 5 February 2024) • LSHC Sydney Holding Limited (member's voluntary winding up completed on 7 August 2022) • MML Ceramic (Thailand) Co., Ltd. (dissolution completed on 21 July 2021) • Sino Ceramics Sdn Bhd (under creditor winding up) • Sunrise Strategy Sdn Bhd
Present	: <u>Listed companies:</u> <ul style="list-style-type: none"> • Hap Seng Consolidated Berhad (Managing Director) Including its subsidiaries, namely <ul style="list-style-type: none"> • Caliber Suncity Sdn Bhd • Desa Alam Mewah Sdn Bhd • Eden Sunrise Sdn Bhd • Euro-Asia Brand Holding Company Sdn Bhd • Future Golden Development Sdn Bhd • Hap Seng Auto Sdn Bhd • Hap Seng Automotive Acceptance Sdn Bhd • Hap Seng Body & Paint Sdn Bhd • Hap Seng Building Materials Holdings Sdn Bhd • Hap Seng Building Materials Marketing Pte Ltd • Hap Seng Building Materials Sdn Bhd • Hap Seng Carfleet Sdn Bhd • Hap Seng Clay Products Sdn Bhd • Hap Seng Commercial Development Sdn Bhd • Hap Seng Construction Sdn Bhd • Hap Seng Credit Sdn Bhd • Hap Seng Equity Sdn Bhd • Hap Seng Fertilizers Sdn Bhd • Hap Seng Hospitality Sdn Bhd • Hap Seng Investment Holdings Pte Ltd • Hap Seng Land Sdn Bhd • Hap Seng Land Development (Balakong) Sdn Bhd • Hap Seng Land Development (Kluang) Sdn Bhd

Additional Information on Directors Seeking Re-Election

Name	: Datuk Edward Lee Ming Foo, JP Non-Independent Non-Executive Director
	: Including its subsidiaries, namely (Continued) <ul style="list-style-type: none"> ● Hap Seng Land Development (Puchong) Sdn Bhd ● Hap Seng Land Development (JTR 2) Sdn Bhd ● Hap Seng Land Development (Jesselton Hill) Sdn Bhd ● Hap Seng Land Development (PJ) Sdn Bhd ● Hap Seng Land Development Sdn Bhd ● Hap Seng Land Development And JCA Sdn Bhd ● Hap Seng Land Development (KK) Sdn Bhd ● Hap Seng Land Services Sdn Bhd ● Hap Seng Leisure Sdn Bhd ● Hap Seng Management Sdn Bhd ● Hap Seng Management Services Sdn Bhd ● Hap Seng Property Investment Sdn Bhd ● Hap Seng Properties Development Sdn Bhd ● Hap Seng Properties Services (Sabah) Sdn Bhd ● Hap Seng Realty Sdn Bhd ● Hap Seng Realty (Auto) Sdn Bhd ● Hap Seng Realty (Autohaus) Sdn Bhd ● Hap Seng Realty (KK I) Sdn Bhd ● Hap Seng Realty (KL City) Sdn Bhd ● Hap Seng Seri Alam Sdn Bhd ● Hap Seng Smart Sdn Bhd ● Hap Seng Star Sdn Bhd ● Hap Seng Trading Holdings Sdn Bhd ● Hap Seng Trading (BM) Sdn Bhd ● Hap Seng Trading (M) Sdn Bhd (f.k.a. Hap Seng (Oil & Transport) Sdn Bhd) ● Hap Seng Trucks Distribution Sdn Bhd ● Hap Seng Trucks Sdn Bhd ● HSC Birmingham Holding Limited ● HSC Brisbane Holding Pte Ltd ● HSC Bristol Holding Pte Ltd ● HSC International Limited ● HSC Leeds Holding Pte Ltd ● HSC London Holding Pte Ltd ● HSC Nottingham Holding Pte Ltd ● HSC Manchester Holding Pte Ltd ● KL Midtown Sdn Bhd ● Lakaran Warisan Sdn Bhd ● Macro Arch (M) Sdn Bhd ● Malaysian Mosaics Sdn Bhd

Additional Information on Directors Seeking Re-Election

Name

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

Including its subsidiaries, namely (Continued)

- Menara Hap Seng Sdn Bhd
 - MML Marketing Pte Ltd
 - MML Marketing Sdn Bhd
 - MML (Shanghai) Trading Co., Ltd.
 - My Universal Properties Sdn Bhd
 - Palms Edge (M) Sdn Bhd
 - Pacific Emerald Properties Sdn Bhd
 - Positive Harmony Sdn Bhd
 - Positive Tropical Sdn Bhd
 - Prosperity Projections Sdn Bhd
 - Prosperity Sunland Sdn Bhd
 - Sasco Company Ltd.
 - Sasco (China) Co., Ltd.
 - Sierra Positive Sdn Bhd
 - Sierra Ventures Sdn Bhd
 - SKI Segar Sdn Bhd
 - Sunhill Ventures Sdn Bhd
 - Sunpoint Resources Sdn Bhd
 - Sunrise Addition Sdn Bhd
 - Sunrise Spring Sdn Bhd
 - Sunrise Gardencity Sdn Bhd
 - Suria Kapital Development Sdn Bhd
 - Trio Empireland Sdn Bhd
 - Trio Sunrise Sdn Bhd
 - Positive Sunland Sdn Bhd
- **Hap Seng Plantations Holdings Berhad (Managing Director)**
Including its subsidiaries, namely
 - Jeroco Plantations Sdn Bhd
 - Hap Seng Plantations (River Estates) Sdn Bhd
 - Hap Seng Plantations (Wecan) Sdn Bhd
 - Hap Seng Plantations (Tampilit) Sdn Bhd
 - Hap Seng Plantations (Ladang Kawa) Sdn Bhd
 - Hap Seng Plantations (Kota Marudu) Sdn Bhd
 - Pelipikan Plantation Sdn Bhd
 - Hap Seng Edible Oils Sdn Bhd
- **Hafary Holdings Limited (Non-independent Non-Executive Director)**

Additional Information on Directors Seeking Re-Election

Name	: Datuk Edward Lee Ming Foo, JP Non-Independent Non-Executive Director
	<p><u>Non-listed companies:</u></p> <ul style="list-style-type: none"> • Wintercorn Malaysia Sdn Bhd • Richmore Development Sdn Bhd • Community CSR Sdn Bhd • Gek Poh (Holdings) Sdn Bhd • GLM Emerald (Sepang) Sdn Bhd • Inverfin Sdn Bhd • Jana Pendidikan Malaysian Sdn Bhd (Alternate Director) • The Community Chest (Honorary Trustee)
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	: No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	: Yes. <ol style="list-style-type: none"> 1. Director of Sino Ceramics Sdn Bhd (under creditor winding up) Resigned as Director on 1 April 2009 Creditor winding up commenced on 28 April 2021 2. Director of MML Ceramic (Thailand) Co., Ltd. (dissolution) Dissolution completed on 21 July 2021
(c) Whether there is any unsatisfied judgment against him?	: No

Additional Information on Directors Seeking Re-Election

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

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

Additional Information on Directors Seeking Re-Election

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

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-

i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No

ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No

Additional Information on Directors Seeking Re-Election

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

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

Additional Information on Directors Seeking Re-Election

The following additional information on Mr Yong Teak Jan @ Yong Teck Jan, is seeking re-election as Director at the forthcoming Annual General Meeting.

Name	: Yong Teak Jan @ Yong Teck Jan Non-Independent Non-Executive Director
Date of first appointment	: 18 January 2018
Age	: 53
Country of principal residence	: Malaysia
Date of last re-appointment	: 14 April 2021
The Board's comments on the re-appointment	: The Board has considered the Nomination Committee's recommendation and assessments of Mr Yong's qualifications, experiences, fit and proper criteria and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	: Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	: Non-Independent Non-Executive Director
Professional qualifications	: Bachelor of Science with Honours in Chemistry from University of Malaya in Malaysia
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	: Yes. A director of Malaysian Mosaics Sdn Bhd ("MMSB"). MMSB and Hap Seng Investment Holdings Pte Ltd ("HSIHPL") are the wholly-owned subsidiaries of Hap Seng Consolidated Berhad ("HSCB"). HSIHPL holds 50.82% shareholding in Hafary Holdings Limited.
Conflict of interest (including any competing business)	: Yes. Common director of MMSB and MML (Shanghai) Trading Co., Ltd..
Working experience and occupation(s) during the past 10 years	: Mr. Yong has more than 25 years of experience in the building material and engineering industries in Malaysia and Singapore. He had held various positions such as business development, sales and marketing, export, manufacturing and procurement scopes in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited. He is currently the chief operating officer of building materials/general trading business of HSCB.

Additional Information on Directors Seeking Re-Election

Name	: Yong Teak Jan @ Yong Teck Jan Non-Independent Non-Executive Director
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary	: Yes
Shareholding interest in the listed issuer and its subsidiaries	: No
Shareholding details	: Nil
Other principal commitments including directorships	
Past (for the last 5 years)	: <u>Non-listed companies:</u> <ul style="list-style-type: none"> ● MML Ceramic (Thailand) Co., Ltd. (dissolution completed on 21 July 2021) ● PT MML Ceramic Indonesia (dissolution completed on 26 December 2022) ● Sino Ceramics Sdn Bhd (under creditor winding up)
Present	: <u>Listed company:</u> Hafary Holdings Limited (Non-Independent Non-Executive Director) <u>Non-listed companies:</u> <ul style="list-style-type: none"> ● Malaysian Mosaics Sdn Bhd ● MML Marketing Pte Ltd ● MML Marketing Sdn Bhd ● MML (Shanghai) Trading Co., Ltd. ● Hap Seng Trading Holdings Sdn Bhd ● Hap Seng Trading (BM) Sdn Bhd ● Hap Seng Trading (M) Sdn Bhd (f.k.a. Hap Seng (Oil & Transport) Sdn Bhd) ● International Ceramic Manufacturing Hub Sdn. Bhd. ● International Ceramic Manufacturing Hub Pte. Ltd. ● Hafary Element Pte. Ltd. ● Hafary Trading Sdn. Bhd.
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	: No

Additional Information on Directors Seeking Re-Election

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

- (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? : Yes.
1. Director of Sino Ceramics Sdn Bhd (under creditor winding up)
Creditor winding up commenced on 28 April 2021
 2. Director of MML Ceramic (Thailand) Co., Ltd. (dissolution)
Dissolution completed on 21 July 2021
 3. Director of PT MML Ceramic Indonesia (dissolution)
Dissolution completed on 26 December 2022
-
- (c) Whether there is any unsatisfied judgment against him? : No
-
- (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No
-
- (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No
-

Additional Information on Directors Seeking Re-Election

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

Additional Information on Directors Seeking Re-Election

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No
 - ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No
 - iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No
 - iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No
-

Additional Information on Directors Seeking Re-Election

Name : **Yong Teak Jan @ Yong Teck Jan**
Non-Independent Non-Executive Director

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

Additional Information on Directors Seeking Re-Election

The following additional information on Mr Foo Yong How, is seeking re-election as Director in at the forthcoming Annual General Meeting.

Name	: Foo Yong How Independent Director
Date of first appointment	: 9 July 2020
Age	: 45
Country of principal residence	: Singapore
Date of last re-appointment	: 14 April 2021
The Board's comments on the re-appointment	: The Board has considered the Nomination Committee's recommendation and assessments of Mr Foo's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	: Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	: Independent Director, Chairman of the Remuneration Committee and member of Audit Committee and Nominating Committee.
Professional qualifications	: <ul style="list-style-type: none"> • Bachelor of Engineering • CFA Charterholder
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	: No
Conflict of interest (including any competing business)	: No
Working experience and occupation(s) during the past 10 years	: Mr Foo has more than 15 years of experience in investment banking, business development and wealth management. He was appointed as Chief Corporate Officer in Sapphire Corporation Limited (listed on SGX Mainboard). He is assisting the CEO of Sapphire in key functions which include the day-to-day operation, formulation of strategic planning in mergers and acquisition, new business opportunities, corporate finance related activities and taking charge of the investor relations and corporate communication activities. He can contribute to the Group with his expertise in the strategic planning and corporate finance activities.

Additional Information on Directors Seeking Re-Election

Name	: Foo Yong How Independent Director
	<p>June 2018 - Current Sapphire Corporation Limited Chief Corporate Officer</p> <p>June 2017 - 2023 Wise Torch Investments (SG) Pte Ltd Senior Director</p> <p>Jan 2017 - June 2017 International Healthway Corporation Limited General Manager</p> <p>Nov 2016 - Jan 2017 Wise Torch Investments (SG) Pte Ltd Senior Director</p> <p>Jul 2016 - Nov 2016 Munsun Asset Management (Asia) Ltd Director</p> <p>May 2008 - Jul 2016 UOB-Kay Hian Vice President (Equity Sales)</p>
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) has been submitted to Hafary	: Yes
Shareholding interest in the listed issuer and its subsidiaries	: No
Shareholding details	: -
Other principal commitments including directorships	
Past (for the last 5 years)	: Youxibi Pte Ltd
Present	: <u>Listed company:</u> Hafary Holdings Limited (Independent Director)

Additional Information on Directors Seeking Re-Election

Name : **Foo Yong How**
Independent Director

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? : No

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? : No

(c) Whether there is any unsatisfied judgment against him? : No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? : No

Additional Information on Directors Seeking Re-Election

Name : **Foo Yong How**
Independent Director

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? : No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? : No

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? : No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? : No

Additional Information on Directors Seeking Re-Election

Name : **Foo Yong How**
Independent Director

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? : No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-

i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or : No

ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or : No

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or : No

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? : No

Additional Information on Directors Seeking Re-Election

Name : **Foo Yong How**
Independent Director

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? : No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed issuer listed on the Exchange? : Not Applicable

If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hafary Holdings Limited (the “Company”) will be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Thursday, 25 April 2024 at 12.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

- To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Independent Auditor’s Report thereon.

(Resolution 1)

- To re-elect the following Directors of the Company retiring pursuant to Regulation 104 of the Constitution of the Company and/or Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”):

Datuk Edward Lee Ming Foo, JP

(Resolution 2)

Mr Yong Teak Jan @ Yong Teck Jan

(Resolution 3)

Mr Foo Yong How (Fu Yonghao)

(Resolution 4)

Datuk Edward Lee Ming Foo, JP, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered Non-Independent.

Mr Yong Teak Jan @ Yong Teck Jan, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered Non-Independent.

Mr Foo Yong How (Fu Yonghao), upon re-election as Director of the Company, remain as Independent Director, Chairman of the Remuneration Committee and member of Audit Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

- To approve the payment of Directors’ Fees of S\$231,000 for the financial year ended 31 December 2023. (FY2022: S\$231,000)

(Resolution 5)

- To re-appoint RSM SG Assurance LLP as Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 6)

- To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. Authority to issue shares

That pursuant to Section 161 of the Companies Act 1967 of Singapore, the Constitution of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be and are hereby authorised and empowered to:

- (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution that may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments and made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Notice of Annual General Meeting

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 7)

7. **Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan**

That pursuant to Section 161 of the Companies Act 1967 of Singapore, the Directors of the Company be and are hereby authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Hafary Performance Share Plan (the “**Plan**”) and to allot and issue and/or deliver such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of shares to be delivered pursuant to the Plan, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 8)

8. **Renewal of General Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval be and is hereby given for the renewal of the general mandate permitting the Company, its subsidiaries and associated companies to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to the Notice of Annual General Meeting (the “**Appendix**”) with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms which are not prejudicial to the interests of the Company and its minority Shareholders (as defined in the Appendix) and are in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the “**IPT General Mandate**”);
- (b) the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

Notice of Annual General Meeting

- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT General Mandate as they may think fit.

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary

Singapore, 3 April 2024

Explanatory Notes:

- (i) Ordinary Resolution 7 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is earlier, to offer and grant awards under the Plan in accordance with the provision of the Plan and to deliver from time to time such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan up to a number not exceeding in aggregate (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (iii) Ordinary Resolution 9 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notice of Annual General Meeting

Notes:

- Members of the Company are invited to **attend physically** at the Annual General Meeting (the “**Meeting**”). There will be no option for members to participate virtually. The Annual Report 2023, Notice of Annual General Meeting, Proxy Form, Appendix and Request Form (to request hardcopy of the Annual Report 2023 and the Appendix) will be made available to members by electronic means via publication on the Company’s corporate website <https://www.hafary.com.sg> and are also made available on the SGX website at URL <https://www.sgx.com/securities/company-announcements>.

Printed copies of the Notice of AGM, the Proxy Form and the Request Form will be sent to members via post. Members who wish to obtain a printed copy of the Annual Report 2023 and the Appendix should complete the Request Form and return it by post to the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836 or via email to enquiry@hafary.com.sg **no later than 12.00 p.m. on 11 April 2024**.

- Members (including Central Provident Fund Investment Scheme investors (“**CPF Investors**”) and/or Supplementary Retirement Scheme investors (“**SRS Investors**”)) may participate in the Meeting by:
 - attending the Meeting in person;
 - raising questions at the Meeting or submitting questions in advance of the Meeting; and/or
 - voting at the Meeting:
 - themselves personally; or
 - through their duly appointed proxy(ies).

A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend, speak and vote at the Meeting. Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), including CPF or SRS investors should approach their respective relevant intermediary or CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the Meeting, **by 5.00 p.m. on 15 April 2024**.

A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“**Relevant intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

- A member can appoint the Chairman of the Meeting as his/her/its proxy but this is not mandatory. The Chairman of the Meeting, as proxy, need not be a member of the Company.
- Duly completed and signed instrument appointing the proxy or proxies or Chairman of the Meeting as proxy must either be submitted to the Company in the following manner:
 - if submitted by post, to be deposited at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or
 - if submitted electronically, to be submitted via email to enquiry@hafary.com.sg.

in either case, by 12.00 p.m. on 22 April 2024 (being not less than seventy-two (72) hours before the time appointed for the Meeting).

A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Members are strongly encouraged to submit completed proxy forms electronically via email to enquiry@hafary.com.sg.

Notice of Annual General Meeting

5. Members may submit questions related to the resolutions to be tabled for approval at the Meeting in advance of the Meeting **by 12.00 p.m. on 11 April 2024**:
- (a) by post to the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or
 - (b) by email to enquiry@hafary.com.sg.

The Board of Directors of the Company will endeavour to address all substantial and relevant questions received from shareholders prior to the Meeting by publishing the responses to those questions on SGXNet and the Company's website at the URL <https://www.hafary.com.sg>, at least forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms **by 20 April 2024**.

The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the Meeting via SGXNet on SGX website and the Company's website within one (1) month from the date of the Meeting.

Personal data privacy:

By submitting an instrument appointing proxy(ies) or the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of proxy(ies) or the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared for the Meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the Meeting and any questions he may raise or motions he propose/ second) may be recorded by the Company for such purpose.



HAFARY HOLDINGS LIMITED

合發利控股有限公司

Incorporated in the Republic of Singapore
Company Registration No. 200918637C

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), who wish to appoint proxy or proxies should approach their relevant intermediary to submit their votes at least seven (7) working days before the AGM, by **15 April 2024**.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

**PROXY FORM
ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of **HAFARY HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Email Address	Proportion of Shareholdings	
			No. of Shares	%
Address				

and/or (delete as appropriate)

Name	NRIC/Passport No.	Email Address	Proportion of Shareholdings	
			No. of Shares	%
Address				

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Thursday, 25 April 2024 at 12.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against or abstain from voting on the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolutions relating to:	For	Against	Abstain
Ordinary Business:				
1	Statement by Directors and Audited Financial Statements for the financial year ended 31 December 2023			
2	Re-election of Datuk Edward Lee Ming Foo, JP as Director			
3	Re-election of Mr Yong Teak Jan @ Yong Teck Jan as Director			
4	Re-election of Mr Foo Yong How (Fu Yonghao) as Director			
5	Approval of Directors' Fees amounting to S\$231,000 for the financial year ended 31 December 2023			
6	Re-appointment of RSM SG Assurance LLP as Independent Auditor effective from 1 March 2024			
Special Business:				
7	Authority to issue shares			
8	Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan			
9	Renewal of General Mandate for Interested Person Transactions			

If you wish to exercise all your votes "For" or "Against" or "Abstain" a Resolution, please tick [✓] or [X] within the "For" or "Against" or "Abstain" box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" in the relevant Resolution.

Dated this _____ day of _____ 2024

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company is entitled to attend, speak and vote at a meeting of the Company is entitled to appoint one or two proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
3. A member can appoint the Chairman of the Meeting as his/her/its proxy but this is not mandatory. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, **by 5.00 p.m. on 15 April 2024.**

A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. The instrument appointing proxy or proxies or the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or
 - (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg.

in either case, by 12.00 p.m. on 22 April 2024 (being not less than seventy-two (72) hours before the time appointed for the Meeting.

6. A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Members are strongly encouraged to submit completed proxy forms electronically via email.

7. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal (or such other methods as provided for in Section 41B of the Companies Act 1967 of Singapore) or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2024.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Our Showrooms



Hafary Gallery

105 Eunos Avenue 3, Hafary Centre,
Singapore 409836
Tel: 6250 1368
Fax: 6383 1536
Email: eunosshowroom@hafary.com.sg

Operating hours:

Mon to Sat: 9.00am – 7.30pm

Sun and PH: 9.00am – 7.00pm

Hafary Balestier

560 Balestier Road, Singapore 329876
Tel: 6250 1369
Fax: 6255 4450
Email: balestiershowroom@hafary.com.sg

Operating hours:

Mon to Sat: 9.00am – 8.00pm

Sun and PH: 9.00am – 7.00pm

Hafary Tradehub 21

18 Boon Lay Way, #01-132 Tradehub 21,
Singapore 609966
Tel: 6570 6265
Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg

Operating hours:

Mon to Sat: 9.00am – 7.30pm

Sun and PH: 9.00am – 7.00pm

The Stone Gallery by Hafary

18 Sungei Kadut Street 2, World Furnishing Hub, Level 7
Singapore 729236
Tel: 6219 3323
Fax: 6219 3313
Email: thestonegallery@hafary.com.sg

Operating hours (By Appointment only)

Mon to Sat: 9.00am – 6.00pm

Wood Culture Flagship

11 Changi North Way, Singapore 498796
Tel: +65 6686 2133
Fax: +65 6686 2131
Email: sales@woodculture.com.sg

Operating hours:

Mon to Fri: 9.00am – 6.00pm

Sat: 9.00am – 1.00pm

ICMH Gallery

Batu 4, Jalan Batu Pahat,
86000 Kluang, Johor, Malaysia
Tel: +607 776 1406
Fax: +607 776 1382

Operating hours (By Appointment only)

Mon to Fri: 9:00am – 6:00pm

MML x Element Gallery by Hafary

Batu 4, Jalan Batu Pahat,
86000 Kluang, Johor, Malaysia
Tel: +603 2027 8118
Fax: +603 2027 8113
Email: enquiry@hafary.com.my

Operating hours (By Appointment only)

Mon to Fri: 9:00am – 6:00pm



合發利控股有限公司
HAFARY HOLDINGS LIMITED

(Company Registration No. 200918637C)
105 Eunos Avenue 3 Hafary Centre
Singapore 409836