HAFARY HOLDINGS LIMITED
INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Six Months ("2H2021") and Full Year ("FY2021") Ended 31 December 2021

	Notes	2H2021 $'000	2H 2020 $'000	Change %	FY2021 $'000	FY2020 $'000	Change %
Revenue	2	69,746	54,243	28.6	130,095	84,315	54.3
Interest income		99	62	59.7	161	105	53.3
Other income and gains		1,014	1,963	(48.3)	2,065	3,683	(43.9)
Changes in inventories of goods held for resale		278	(2,828)	(109.8)	2,485	446	457.2
Purchases and related costs		(36,035)	(24,962)	44.4	(69,944)	(44,571)	56.9
Employee benefits expenses		(10,950)	(8,233)	33.0	(21,318)	(16,163)	31.9
Depreciation expense		(2,772)	(2,362)	17.4	(5,206)	(4,758)	9.4
Depreciation of right-of-use assets		(1,143)	(1,053)	8.5	(2,269)	(2,490)	(8.9)
Impairment losses		(5,166)	(3,457)	49.4	(8,498)	(4,404)	93.0
Other losses		(149)	(539)	(72.4)	(223)	(575)	(61.2)
Finance costs		(1,704)	(1,440)	18.3	(3,204)	(3,261)	(1.7)
Other expenses		(5,774)	(4,869)	18.6	(10,573)	(7,910)	33.7
Share of profit from an equity-accounted associate		1,253	1,224	2.4	1,206	1,775	(32.1)
Share of (loss) profit from equity-accounted joint ventures		(27)	450	(106.0)	356	68	423.5
Profit before income tax		8,670	8,199	5.7	15,133	6,260	141.7
Income tax expense	4	(1,766)	(1,002)	76.2	(2,821)	(725)	289.1
Profit, net of tax		6,904	7,197	(4.1)	12,312	5,535	122.4
Other comprehensive income (loss)							
Item that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations, net of tax		543	(366)	(248.4)	1,134	315	260.0
Total comprehensive income for the year, net of tax		7,447	6,831	9.0	13,446	5,850	129.8

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Six Months and Full Year Ended 31 December 2021 (cont'd)

	Notes	2H2021 $'000	2H 2020 $'000	Change %	FY2021 $'000	FY2020 $'000	Change %
Profit attributable to:							
- Owners of the parent, net of tax		6,490	6,950	(6.6)	11,580	5,260	120.2
- Non-controlling interests, net of tax		414	247	67.6	732	275	166.2
		6,904	7,197	(4.1)	12,312	5,535	122.4
Total comprehensive income attributable to:							
- Owners of the parent		7,033	6,584	6.8	12,714	5,575	128.1
- Non-controlling interests		414	247	67.6	732	275	166.2
		7,447	6,831	9.0	13,446	5,850	129.8
		Cents	Cents		Cents	Cents	
Earnings per share							
Basic and diluted		1.51	1.61		2.69	1.22	

Additional Information on the Interim Consolidated Statement of Profit or Loss For The Six Months and Full Year Ended 31 December 2021

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

	2H2021 $'000	2H 2020 $'000	Change %	FY2021 $'000	FY2020 $'000	Change %
Interest expense on borrowings	(1,499)	(1,284)	16.7	(2,818)	(2,937)	(4.1)
Interest expense on lease liabilities	(205)	(156)	31.4	(386)	(324)	19.1
Interest income	99	62	59.7	161	105	53.3
Depreciation of investment property	(10)	(10)	–	(19)	(19)	–
Depreciation of property, plant and equipment	(2,762)	(2,352)	17.4	(5,187)	(4,739)	9.5
Depreciation of right-of-use assets	(1,143)	(1,053)	8.5	(2,269)	(2,490)	(8.9)
Additions – individually impaired	(583)	(178)	227.5	(579)	(317)	82.6
(Additions) reversal – collectively impaired	(16)	(93)	(82.8)	46	(28)	(264.3)
Allowance for impairment of other receivables	(350)	–	N.M.	(350)	–	N.M.
Bad debts recovered – trade receivables	16	4	300.0	26	20	30.0
Bad debts written-off – trade receivables	–	–	N.M.	(27)	–	N.M.
Bad debts written-off – other receivables	–	(11)	(100.0)	–	(11)	(100.0)
Net allowance for impairment of Inventories	(4,233)	(3,179)	33.2	(7,614)	(4,068)	87.2
Foreign exchange adjustment gains (losses)	252	(421)	(159.9)	246	(457)	(153.8)
Fair value (losses) gains on derivative financial instruments, net	(40)	(3)	N.M.	(74)	32	(331.3)
Fair value losses on other financial assets, net	(72)	(110)	(34.5)	(72)	(110)	(34.5)
Government grants	687	1,825	(62.4)	1,642	3,510	(53.2)

N.M.: Not meaningful.

Condensed Interim Statements of Financial Position
As at 31 December 2021

		Group		Company	
	Notes	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	6	94,612	72,501	173	268
Right-of-use assets	7	71,751	37,863	–	–
Investment property		4,172	4,191	–	–
Investments in subsidiaries		–	–	9,239	9,239
Investment in an associate	8	17,507	15,753	–	–
Investments in joint ventures	9	2,805	2,655	–	–
Other financial assets		340	412	340	412
Total non-current assets		191,187	133,375	9,752	9,919
Current assets					
Inventories	10	46,249	50,938	–	–
Trade and other receivables	11	35,733	29,960	31,065	30,529
Derivative financial assets		–	9	–	–
Other non-financial assets		6,784	5,372	85	9
Cash and cash equivalents		6,070	5,211	20	22
Total current assets		94,836	91,490	31,170	30,560
Total assets		286,023	224,865	40,922	40,479
EQUITY AND LIABILITIES					
Equity					
Share capital	12	26,930	26,930	26,930	26,930
Retained earnings		48,612	45,580	3,531	3,450
Foreign currency translation reserve	13	(67)	(1,201)	–	–
Equity, attributable to owners of the parent		75,475	71,309	30,461	30,380
Non-controlling interests		1,931	2,159	–	–
Total equity		77,406	73,468	30,461	30,380
Non-current liabilities					
Deferred tax liabilities		953	664	–	–
Other financial liabilities, non-current	16	112,924	82,256	–	–
Lease liabilities, non-current	17	12,491	9,355	51	101
Total non-current liabilities		126,368	92,275	51	101
Current liabilities					
Income tax payable		2,688	1,285	–	5
Provision	18	924	725	–	–
Trade and other payables		17,668	16,275	10,360	9,943
Derivative financial liabilities		64	–	–	–
Other financial liabilities, current	16	55,142	34,597	–	–
Lease liabilities, current	17	926	881	50	47
Other non-financial liabilities		4,837	5,359	–	3
Total current liabilities		82,249	59,122	10,410	9,998
Total liabilities		208,617	151,397	10,461	10,099
Total equity and liabilities		286,023	224,865	40,922	40,479

Condensed Interim Statements of Changes in Equity
For The Year Ended 31 December 2021

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 2021	73,468	71,309	26,930	45,580	(1,201)	2,159
Changes in equity:						
Total comprehensive income for the year	13,446	12,714	–	11,580	1,134	732
Dividends paid (Note 5)	(6,458)	(6,458)	–	(6,458)	–	–
Dividends paid to non-controlling interests in subsidiaries	(1,200)	–	–	–	–	(1,200)
Acquisition of a non-controlling interest without a change in control (#)	(1,850)	(2,090)	–	(2,090)	–	240
Closing balance at 31 December 2021	77,406	75,475	26,930	48,612	(67)	1,931
Previous year:						
Opening balance at 1 January 2020	70,987	68,963	26,930	43,549	(1,516)	2,024
Changes in equity:						
Total comprehensive income for the year	5,850	5,575	–	5,260	315	275
Dividends paid (Note 5)	(3,229)	(3,229)	–	(3,229)	–	–
Dividends paid to non-controlling interests in subsidiaries	(140)	–	–	–	–	(140)
Closing balance at 31 December 2020	73,468	71,309	26,930	45,580	(1,201)	2,159

(#) On 29 December 2021, the company's subsidiary, Hafary Pte Ltd acquired an additional 5% equity interest in World Furnishing Hub Pte Ltd ("WFH") from its non-controlling interest for a cash consideration of $1,850,000. Prior to the acquisition, management considers WFH as a subsidiary as the group has management control over WFH, even though the group owned 46% interest in WFH. As a result of this acquisition, WFH became a 51%-owned subsidiary of the group.

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

Condensed Interim Statements of Changes in Equity (cont'd)
For The Year Ended 31 December 2021

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2021	30,380	26,930	3,450
Changes in equity:			
Total comprehensive income for the year	6,539	–	6,539
Dividends paid (Note 5)	(6,458)	–	(6,458)
Closing balance at 31 December 2021	30,461	26,930	3,531
Previous year:			
Opening balance at 1 January 2020	29,343	26,930	2,413
Changes in equity:			
Total comprehensive income for the year	4,266	–	4,266
Dividends paid (Note 5)	(3,229)	–	(3,229)
Closing balance at 31 December 2020	30,380	26,930	3,450

Condensed Interim Consolidated Statement of Cash Flows
For The Six Months and Full Year Ended 31 December 2021

	2H2021 $'000	2H2020 $'000	FY2021 $'000	FY2020 $'000
Cash flows from operating activities				
Profit before income tax	8,670	8,199	15,133	6,260
Adjustments for:				
Interest expense on borrowings	1,499	1,284	2,818	2,937
Interest expense on lease liabilities	205	156	386	324
Interest income	(99)	(62)	(161)	(105)
COVID-19 related rent concessions from lessors	–	(37)	(14)	(74)
Depreciation of property, plant and equipment	2,762	2,352	5,187	4,739
Depreciation of right-of-use assets	1,143	1,053	2,269	2,490
Depreciation of investment property	10	10	19	19
Gain on disposal of plant and equipment	–	–	–	(1)
Fair value losses on other financial assets, net	72	110	72	110
Share of profit from an equity-accounted associate	(1,253)	(1,224)	(1,206)	(1,775)
Share of loss (profit) from equity-accounted joint ventures	27	(450)	(356)	(68)
Net effect of exchange rate changes in consolidating subsidiaries	96	69	48	23
Operating cash flows before changes in working capital	13,132	11,460	24,195	14,879
Inventories	3,977	6,578	4,689	3,240
Trade and other receivables	(1,038)	(4,283)	(3,561)	1,871
Other non-financial assets	150	135	(1,412)	98
Provision	50	546	199	89
Trade and other payables	1,370	4,587	2,973	(89)
Derivative financial assets / liabilities	39	2	73	(32)
Other non-financial liabilities	34	545	(522)	2,170
Net cash flows from operations	17,714	19,570	26,634	22,226
Income taxes paid	(347)	(1,113)	(1,129)	(1,115)
Net cash flows from operating activities	17,367	18,457	25,505	21,111

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Year Ended 31 December 2021

	2H2021 $'000	2H2020 $'000	FY2021 $'000	FY2020 $'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note A)	(7,412)	(1,935)	(26,477)	(2,264)
Upfront payment for right-of-use assets (Note B)	(31,771)	–	(31,771)	–
Proceeds from disposal of plant and equipment	–	–	11	25
Refund of land premium	–	–	–	1,846
Net movements in amount due from an associate	1,299	–	(1,406)	–
Deposits paid for property acquisition	(878)	–	(878)	–
Net movements in amount due from joint ventures	263	389	31	389
Dividend income from an associate	–	1,410	–	1,410
Dividend income from a joint venture	–	28	350	28
Interest income received	45	21	67	22
Net cash flows (used in) from investing activities	(38,454)	(87)	(60,073)	1,456
Cash flows from financing activities				
Dividends paid to equity owners	(3,229)	(3,229)	(6,458)	(3,229)
Dividends paid to non-controlling interests	–	–	(1,200)	(140)
Net movements in amounts due to a director cum a shareholder	(631)	–	(1,052)	(331)
Net movements in amounts due to a shareholder	(555)	–	(1,110)	(499)
Lease liabilities – principal portion paid	(711)	(617)	(1,385)	(1,608)
(Decrease) increase in trust receipts and bills payable	(1,804)	(3,330)	9,661	(5,463)
Increase from new borrowings	37,814	5,000	52,614	10,000
Decrease in other financial liabilities	(4,636)	(16,000)	(11,062)	(20,668)
Interest expense paid	(1,485)	(1,307)	(2,760)	(2,988)
Acquisition of a non-controlling interest without a change in control	(1,850)	–	(1,850)	–
Net cash flows from (used in) financing activities	22,913	(19,483)	35,398	(24,926)
Net increase (decrease) in cash and cash equivalents	1,826	(1,113)	830	(2,359)
Net effect of exchange rate changes on cash and cash equivalents	10	(2)	29	11
Cash and cash equivalents, beginning balance	4,234	6,326	5,211	7,559
Cash and cash equivalents, ending balance	6,070	5,211	6,070	5,211

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Year Ended 31 December 2021

Note A: Purchase of property, plant and equipment

During the reporting year, the group acquired property, plant and equipment with an aggregate cost of $27,091,000 (31 December 2020: $2,264,000). The additions were by way as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	10,044	2,264
Bank borrowings	16,433	–
Other payables	614	–
Total (Note 6)	27,091	2,264

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

During the reporting year, the group acquired right-of-use assets with an aggregate cost of $35,970,000 (31 December 2020: Nil). The additions were by way as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	7,090	–
Bank borrowings	24,681	–
Lease liabilities	4,199	–
Total (Note 7)	35,970	–

Notes to the Financial Statements
31 December 2021

1. General

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

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

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

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

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

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

COVID-19 related disclosures

The COVID-19 pandemic:

Management has not identified any material uncertainties resulting from the COVID-19 pandemic and the aftermath of the pandemic surrounding the group’s business, and accordingly no further disclosures are made in these condensed interim financial statements.

Basis of presentation

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

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

1. General (cont'd)

Critical judgements, assumptions and estimation uncertainties

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

Assessment of expected credit loss allowance on trade receivables:
The assessment of the expected credit losses ("ECL") requires a degree of estimation and judgement. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the COVID-19 pandemic). The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Assessment of allowance on inventories:
The assessment of the allowance for impairment loss on inventories requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events (including the impact of COVID-19 pandemic). Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note on inventories.

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

2. Financial information by operating segments

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

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

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

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

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

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

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

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

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

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

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

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

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

2B. Profit or loss from continuing operations and reconciliations

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

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 2H2021:					
Total revenue by segment	59,669	35,449	5,652	176	100,946
Inter-segment sales	(15,038)	(12,552)	(3,610)	–	(31,200)
Total revenue	44,631	22,897	2,042	176	69,746
Recurring EBITDA	8,641	2,480	1,766	176	13,063
Amortisation and depreciation expense	(2,914)	(542)	(459)	–	(3,915)
Finance costs	(1,228)	(145)	(331)	–	(1,704)
Share of profit from an equity-accounted associate	–	–	1,253	–	1,253
Share of loss from equity-accounted joint ventures	–	–	(27)	–	(27)
ORBIT	4,499	1,793	2,202	176	8,670
Income tax expense					(1,766)
Profit, net of tax					6,904
Continuing operations – 2H2020:					
Total revenue by segment	46,536	26,107	4,876	18	77,537
Inter-segment sales	(10,442)	(9,703)	(3,149)	–	(23,294)
Total revenue	36,094	16,404	1,727	18	54,243
Recurring EBITDA	7,389	2,419	1,554	18	11,380
Amortisation and depreciation expense	(2,386)	(626)	(403)	–	(3,415)
Finance costs	(928)	(252)	(260)	–	(1,440)
Share of profit from an equity-accounted associate	–	–	1,224	–	1,224
Share of profit from equity-accounted joint ventures	–	–	450	–	450
ORBIT	4,075	1,541	2,565	18	8,199
Income tax expense					(1,002)
Profit, net of tax					7,197

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

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

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – FY2021:					
Total revenue by segment	110,856	68,414	10,812	191	190,273
Inter-segment sales	(28,140)	(25,127)	(6,911)	–	(60,178)
Total revenue	82,716	43,287	3,901	191	130,095
Recurring EBITDA	17,349	3,303	3,407	191	24,250
Amortisation and depreciation expense	(5,537)	(1,073)	(865)	–	(7,475)
Finance costs	(2,321)	(293)	(590)	–	(3,204)
Share of profit from an equity-accounted associate	–	–	1,206	–	1,206
Share of profit from equity-accounted joint ventures	–	–	356	–	356
ORBIT	9,491	1,937	3,514	191	15,133
Income tax expense					(2,821)
Profit, net of tax					12,312
Continuing operations – FY2020:					
Total revenue by segment	70,595	41,330	9,652	46	121,623
Inter-segment sales	(16,742)	(14,268)	(6,298)	–	(37,308)
Total revenue	53,853	27,062	3,354	46	84,315
Recurring EBITDA	11,036	878	2,966	46	14,926
Amortisation and depreciation expense	(5,383)	(1,098)	(767)	–	(7,248)
Finance costs	(2,397)	(322)	(542)	–	(3,261)
Share of profit from an equity-accounted associate	–	–	1,775	–	1,775
Share of profit from equity-accounted joint ventures	–	–	68	–	68
ORBIT	3,256	(542)	3,500	46	6,260
Income tax expense					(725)
Profit, net of tax					5,535

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

2C. Assets, liabilities and reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
As at 31 December 2021:					
Segment assets	192,256	69,283	24,484	–	286,023
Segment liabilities	157,666	44,780	2,530	–	204,976
Deferred tax liabilities					953
Income tax payable					2,688
Total liabilities					208,617
As at 31 December 2020:					
Segment assets	138,421	63,845	22,599	–	224,865
Segment liabilities	103,966	42,095	3,387	–	149,448
Deferred tax liabilities					664
Income tax payable					1,285
Total liabilities					151,397

2D. Other material items and reconciliations

	General	Project	Others	Unallocated	Group
For 6 months ended 31 December:	$'000	$'000	$'000	$'000	$'000
Impairment of assets:					
2021	4,532	634	–	–	5,166
2020	2,463	994	–	–	3,457
Expenditure for non-current assets:					
2021	7,802	16	–	–	7,818
2020	1,894	41	–	–	1,935
For 12 months ended 31 December:					
Impairment of assets:					
2021	6,918	1,580	–	–	8,498
2020	3,403	1,001	–	–	4,404
Expenditure for non-current assets:					
2021	26,939	152	–	–	27,091
2020	2,149	115	–	–	2,264

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

2E. Geographical information

	Revenue		Non-current assets	
	FY2021	FY2020	31 Dec 2021	31 Dec 2020
	$'000	$'000	$'000	$'000
Singapore	125,226	76,030	150,604	106,429
People's Republic of China	1,100	591	22,736	10,781
Socialist Republic of Vietnam	–	–	17,507	15,753
Republic of the Union of Myanmar	490	1,285	–	–
Republic of Indonesia	863	152	–	–
Cambodia	1,322	5,337	–	–
Malaysia	370	167	–	–
Maldives	73	481	–	–
Others	651	272	–	–
	130,095	84,315	190,847	132,963

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

2F. Disaggregation of revenue from contracts with customers

	2H2021	2H2020	FY2021	FY2020
	$'000	$'000	$'000	$'000
Goods recognised at point in time	63,453	49,889	118,732	77,441
Services recognised over time	4,077	2,544	7,272	3,409
Rental income recognised at point in time	2,036	1,721	3,888	3,339
Other income recognised at point in time	180	89	203	126
Total continuing operations	69,746	54,243	130,095	84,315

3. Related party transactions - Group

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

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

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

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

	2H2021	2H2020	FY2021	FY2020
	$'000	$'000	$'000	$'000
Associate:				
Interest income	(54)	–	(71)	–
Joint ventures:				
Sale of goods	(544)	(442)	(619)	(983)
Rental income	(211)	(187)	(420)	(381)
Interest income	(40)	(57)	(80)	(99)
Purchases of goods	4,062	2,683	7,809	4,251
Receiving of services	532	506	1,069	840
Directors:				
Sale of goods	(16)	(226)	(21)	(377)
Other related parties:				
Sale of goods	(22)	(1)	(475)	(36)
Rental income	(106)	(86)	(185)	(184)
Miscellaneous income	(45)	(58)	(103)	(108)
Purchases of goods	2,335	1,446	5,519	2,834
Rental expenses	2	–	7	4
Property management fee	4	–	4	–

4. Income tax - Group

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

	2H2021	2H2020	FY2021	FY2020
	$'000	$'000	$'000	$'000
Current tax expense:				
Current tax expense	1,462	334	2,576	586
Over adjustments in respect of prior years	(44)	(51)	(44)	(49)
Subtotal	1,418	283	2,532	537
Deferred tax expense:				
Deferred tax expense	343	644	229	135
Under adjustments in respect of prior years	5	75	60	53
Subtotal	348	719	289	188
Total income tax expense	1,766	1,002	2,821	725

4. Income tax – Group (cont'd)

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

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

	2H2021	2H2020	FY2021	FY2020
	$'000	$'000	$'000	$'000
Profit before income tax	8,670	8,199	15,133	6,260
Less:				
- Share of profit from an equity-accounted associate	(1,253)	(1,224)	(1,206)	(1,775)
- Share of loss (profit) from equity-accounted joint ventures	27	(450)	(356)	(68)
	7,444	6,525	13,571	4,417
Income tax expense at the above rate	1,265	1,109	2,307	751
Effect of different tax rates in different countries	1	11	33	14
Expenses not deductible for tax purposes	539	(89)	587	65
Tax exemption and rebates	–	(53)	(122)	(109)
(Over) under adjustments in respect of prior years	(39)	24	16	4
Total income tax expense	1,766	1,002	2,821	725
Effective income tax rate for the period / year	24%	15%	21%	16%

5. Dividends on equity shares

	2021	2020
	$'000	$'000
Final tax exempt (1-tier) dividends paid of 0.75 cent (2020: 0.50 cent) per share	3,229	2,153
First interim tax exempt (1-tier) dividends paid of 0.75 cent (2020: 0.25 cent) per share	3,229	1,076
Total dividends paid during the year	6,458	3,229

6. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
At 1 January 2020	86,025	11,897	4,078	102,000
Additions	–	2,171	93	2,264
Disposals	–	(25)	(129)	(154)
Refund of land premium [#a]	(1,846)	–	–	(1,846)
Foreign exchange adjustments	245	36	2	283
At 31 December 2020	84,424	14,079	4,044	102,547
Additions	22,243	4,819	29	27,091
Disposals	–	(101)	(99)	(200)
Foreign exchange adjustments	255	50	(1)	304
At 31 December 2021	106,922	18,847	3,973	129,742
Accumulated depreciation:				
At 1 January 2020	15,240	7,366	2,763	25,369
Depreciation for the year	3,146	1,113	480	4,739
Disposals	–	(25)	(105)	(130)
Foreign exchange adjustments	55	11	2	68
At 31 December 2020	18,441	8,465	3,140	30,046
Depreciation for the year	3,493	1,313	381	5,187
Disposals	–	(95)	(94)	(189)
Foreign exchange adjustments	68	16	2	86
At 31 December 2021	22,002	9,699	3,429	35,130
Carrying amount:				
At 1 January 2020	70,785	4,531	1,315	76,631
At 31 December 2020	65,983	5,614	904	72,501
At 31 December 2021	84,920	9,148	544	94,612

Company	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:			
At 1 January 2020, 31 December 2020 and 31 December 2021	2	470	472
Accumulated depreciation:			
At 1 January 2020	2	110	112
Depreciation for the year	–	92	92
At 31 December 2020	2	202	204
Depreciation for the year	–	95	95
At 31 December 2021	2	297	299
Carrying amount:			
At 1 January 2020	–	360	360
At 31 December 2020	–	268	268
At 31 December 2021	–	173	173

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

As at the reporting year ended 31 December 2021, the group's leasehold properties with carrying amount of $80,974,000 (31 December 2020: $62,008,000) are mortgaged for bank facilities (Note 16).

Certain motor vehicles are under lease liabilities (Note 17).

#a During the reporting year 2020, the group received an amount of $1,846,000 from the Singapore Land Authority paid as land premium for 18 Sungei Kadut Street 2, Singapore in prior years.

7. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost:			
At 1 January 2020	49,169	4,421	53,590
Remeasurement	(70)	–	(70)
Foreign exchange adjustments	222	–	222
At 31 December 2020	49,321	4,421	53,742
Additions	35,970	303	35,970
Remeasurement	–	(303)	(303)
Foreign exchange adjustments	232	–	232
At 31 December 2021	85,220	4,421	89,641
Accumulated depreciation:			
At 1 January 2021	10,361	2,985	13,346
Depreciation for the year	1,682	808	2,490
Remeasurement	7	–	7
Foreign exchange adjustments	36	–	36
At 31 December 2020	12,086	3,793	15,879
Depreciation for the year	1,761	508	2,269
Remeasurement	–	(303)	(303)
Foreign exchange adjustments	45	–	45
At 31 December 2021	13,589	3,998	17,890
Carrying amount:			
At 1 January 2020	38,808	1,436	40,244
At 31 December 2020	37,235	628	37,863
At 31 December 2021	71,631	423	71,751

As at the reporting year ended 31 December 2021, the group's land use rights with carrying amount of $54,980,000 (31 December 2020: $24,285,000) are mortgaged for bank facilities (Note 16). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

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

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

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

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

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

8. Investment in an associate

	Group	
	2021	2020
	$'000	$'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends	14,688	12,934
Carrying amount	17,507	15,753
Movements in carrying amount:		
At beginning of the reporting year	15,753	15,620
Share of profit for the reporting year	1,206	1,775
Dividends	–	(1,410)
Foreign exchange adjustments	548	(232)
At end of the reporting year	17,507	15,753

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	
	2021	2020
	%	%
Viet Ceramics International Joint Stock Company Socialist Republic of Vietnam Importer and dealer of building materials	49	49

9. Investments in joint ventures

	Group 2021 $'000	Group 2020 $'000
Unquoted equity shares at cost	3,195	3,195
Share of post-acquisition losses, net of dividends	(390)	(540)
Carrying amount	2,805	2,655
Movements in carrying amount:		
At beginning of the year	2,655	2,503
Share of profits for the year	356	68
Dividends	(350)	(28)
Foreign exchange adjustments	144	112
At end of the year	2,805	2,655
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	2,236	2,437

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 2021 %	Equity held by the Group 2020 %
Melmer Stoneworks Pte. Ltd. Singapore Cutting, shaping and finishing of stone	50	50
Guangdong ITA Element Building Materials Co., Limited People's Republic of China Production and distribution of tiles	50	50
Hafary Myanmar Investment Pte. Ltd. Singapore Investment holding	33	33

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

10. Inventories

	Group	
	2021	2020
	$'000	$'000
Goods held for resale	46,249	50,938
Inventories are stated after allowance. Movements in allowance:		
At beginning of the year	10,784	6,716
Charged to profit or loss included in impairment losses	7,614	4,068
At end of the year	18,398	10,784

There are no inventories pledged as security for liabilities.

11. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	28,732	23,894	–	–
Less: Allowance for impairment	(2,149)	(1,807)	–	–
Subsidiaries	–	–	1,602	1,117
Joint venture	846	261	–	–
Other related parties	35	26	–	–
Director	–	404	–	–
Retention receivables on contracts	2,041	1,452	–	–
Subtotal	29,505	24,230	1,602	1,117
Other receivables:				
Outside parties	197	742	–	1
Job Support Scheme grant receivables	–	634	–	2
Subsidiaries	–	–	29,463	29,409
Joint ventures [#a]	3,834	3,610	–	–
Less: Allowance for impairment	(350)	–	–	–
Associate [#b]	1,366	–	–	–
Other related parties	4	15	–	–
Refundable deposits	1,177	729	–	–
Subtotal	6,228	5,730	29,463	29,412
Total trade and other receivables	35,733	29,960	31,065	30,529
Movements in above allowance on trade receivables:				
At beginning of the year	1,807	1,595	–	–
Additions – individually impaired	579	317	–	–
(Reversal) additions – collectively impaired	(46)	28	–	–
Bad debts written-off	(191)	(133)	–	–
At end of the year	2,149	1,807	–	–

11. Trade and other receivables (cont'd)

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Movements in above allowance on other receivables:				
At beginning of the year	–	–	–	–
Additions – individually impaired	350	–	–	–
At end of the year	350	–	–	–

[#a] Included in other receivables is a loan to a joint venture amounting to $2,220,000 (31 December 2020: $2,092,000) which is unsecured, bears interest at 4.0% (31 December 2020: 4.0%) per annum and repayable on demand. The remaining balance of the loans to joint ventures are unsecured, interest-free and repayable on demand.

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

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

(i) Concentration of credit risk

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

(ii) Credit risk exposure

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

- 94% (31 December 2020: 93%) of the group's trade receivables from Singapore.
- 6% (31 December 2020: 7%) 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 (31 December 2020: 60 days). But some customers take a longer period to settle the amounts.

11. Trade and other receivables (cont'd)

(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	
	2021	2020
	$'000	$'000
Trade receivables:		
1 to 30 days	3,525	3,146
31 to 60 days	1,834	738
61 to 90 days	1,082	688
Over 90 days	4,801	5,187
Total	11,242	9,759

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

	Group	
	2021	2020
	$'000	$'000
Trade receivables:		
Over 90 days	1,977	1,588

The allowance which is disclosed in the Note on trade receivables is based on individual accounts totaling $1,977,000 (31 December 2020: $1,588,000) 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 COVID-19 pandemic. 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 loss allowance of $172,000 (31 December 2020: $219,000) for the group is included in the allowance for impairment of receivables amounting to $2,149,000 as at 31 December 2021 (31 December 2020: $1,807,000). There is no collateral held as security and other credit enhancements for the trade receivables held by the group.

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

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

At the end of the reporting year ended 31 December 2021, a loss allowance of $350,000 (31 December 2020: Nil) is recognised on other receivables.

12. Share capital

	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 31 December 2020 and 2021	430,550	26,930

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

There was no movement in the issued and paid-up capital of the company since 31 December 2020.

There were no outstanding convertibles as at 31 December 2021 (31 December 2020: Nil).

The company did not hold any treasury shares as at 31 December 2021 (31 December 2020: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the year ended 31 December 2021.

13. 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.

14. Net asset value per share

	Group		Company	
	2021	2020	2021	2020
Net asset value per share based on existing issued share capital as at the respective dates (cents)	17.5	16.6	7.1	7.1

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

	Secured		Unsecured	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Repayable in one year or less, or on demand:				
Bank borrowings (Note 16)	35,150	24,266	–	–
Trust receipts and bills payable (Note 16)	19,992	10,331	–	–
Lease liabilities (Note 17)	50	47	876	834
Subtotal	55,192	34,644	876	834
Repayable after one year:				
Bank borrowings (Note 16)	112,924	82,256	–	–
Lease liabilities (Note 17)	51	101	12,440	9,254
Subtotal	112,975	82,357	12,440	9,254
Total	168,167	117,001	13,316	10,088

16. Other financial liabilities

	Group	
	2021	2020
	$'000	$'000
Non-current:		
With floating interest rates:		
Bank loan F (secured) (Note 16C)	9,660	10,948
Bank loan H (secured) (Note 16E)	40,064	44,869
Bank loan I (secured) (Note 16F)	8,513	9,934
Bank loan J (secured) (Note 16F)	7,662	8,940
Bank loan K (secured) (Note 16G)	2,320	2,517
Bank loan P (secured) (Note 16I)	12,190	–
Bank loan R (secured) (Note 16J)	27,044	–
Bank loan S (secured) (Note 16K)	418	–
Subtotal	107,871	77,208
With fixed interest rates:		
Bank loan M (secured) (Note 16H)	1,903	2,638
Bank loan N (secured) (Note 16H)	1,433	1,920
Bank loan O (secured) (Note 16H)	368	490
Bank loan Q (secured) (Note 16H)	1,349	–
Subtotal	5,053	5,048
Non-current, total	112,924	82,256
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 16A)	2,000	2,000
Bank loan B (secured) (Note 16A)	7,000	7,000
Bank loan C (secured) (Note 16A)	1,500	2,500
Bank loan D (secured) (Note 16B)	2,500	2,000
Bank loan E (secured) (Note 16B)	1,500	900
Bank loan F (secured) (Note 16C)	1,066	844
Bank loan G (secured) (Note 16D)	4,500	2,500
Bank loan H (secured) (Note 16E)	4,145	1,500
Bank loan I (secured) (Note 16F)	1,216	1,012
Bank loan J (secured) (Note 16F)	1,095	911
Bank loan K (secured) (Note 16G)	172	147
Bank loan L (secured) (Note 16A)	5,500	2,500
Bank loan P (secured) (Note 16I)	610	–
Bank loan R (secured) (Note 16J)	756	–
Bank loan S (secured) (Note 16K)	96	–
Trust receipts and bills payable (Note 16L)	19,992	10,331
Subtotal	53,648	34,145
With fixed interest rates:		
Bank loan M (secured) (Note 16H)	735	362
Bank loan N (secured) (Note 16H)	487	80
Bank loan O (secured) (Note 16H)	121	10
Bank loan Q (secured) (Note 16H)	151	–
Subtotal	1,494	452
Current, total	55,142	34,597
Total	168,066	116,853

16. Other financial liabilities (cont'd)

	Group	
	2021	2020
	$'000	$'000
The non-current portion is repayable as follows:		
Due within two to five years	43,445	32,314
After five years	69,479	49,942
Total non-current portion	112,924	82,256

16A. Bank loans A, B, C and L (secured)

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

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

16B. Bank loans D and E (secured)

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

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Corporate guarantee from the company.
(iii) Need to comply with certain financial covenants.

16C. Bank loan F (secured)

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

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

16D. Bank loan G (secured)

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

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

16. Other financial liabilities (cont'd)

16E. Bank loan H (secured)

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

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

16F. Bank loans I and J (secured)

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

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

16G. 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.
(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.

16H. Bank loans M, N, O and Q (secured)

The loans were drawn under the Enterprise Financing Scheme and repayable by monthly instalments over 5 years from the draw down date. 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.

16I. 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 certain leasehold properties (Note 6).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

16. Other financial liabilities (cont'd)

16J. Bank loan R (secured)

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

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

16K. Bank loan S (secured)

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

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

16L. Trust receipts and bills payable

These are repayable within 150 to 180 days (31 December 2020: 150 to 180 days) and are guaranteed by the company.

17. Lease liabilities

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Lease liabilities, current	926	881	50	47
Lease liabilities, non-current	12,491	9,355	51	101
	13,417	10,236	101	148

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

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Total lease liabilities at beginning of reporting year	10,236	11,680	148	193
Additions	4,199	–	–	–
Remeasurement	–	(77)	–	–
Accretion of interest	386	324	5	7
Lease payments – principal portion paid	(1,399)	(1,682)	(47)	(45)
Interest paid	(5)	(9)	(7)	(7)
Total lease liabilities at end of reporting year	13,417	10,236	101	148

17. Lease liabilities (cont'd)

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

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

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Carrying amounts of motor vehicles under lease liabilities	172	350	172	266

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

During the reporting year, expense of the group relating to short-term leases included in other expenses was $977,000 (31 December 2020: $536,000).

18. Provision

	Group	
	2021	2020
	$'000	$'000
Provision for rebates	924	725
Movements in above provision:		
Balance at beginning of the year	725	636
Additions	924	725
Used	(725)	(636)
Balance at end of the year	924	725

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (31 December 2020: 60 days).

19. 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	
	2021	2020
	$'000	$'000
Commitments to purchase plant and equipment	1,488	2,410
Commitments to acquire a leasehold property	7,902	–
Commitments to acquire 30% shareholdings held by NCI (Note 22)	3,020	–
Contractual obligations for construction works	1,614	–
Total	14,024	2,410

20. Categories of financial assets and liabilities

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

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Financial assets:				
Financial assets at amortised cost	41,803	35,171	31,085	30,551
Financial assets at fair value through profit or loss	340	412	340	412
Derivatives financial instruments at fair value	–	9	–	–
	42,143	35,592	31,425	30,963
Financial liabilities:				
Financial liabilities at amortised cost	199,151	143,364	10,461	10,091
Derivatives financial instruments at fair value	64	–	–	–
	199,215	143,364	10,461	10,091

21. Changes and adoption of financial reporting standards

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

22. Events after the end of the reporting year

a) On 17 January 2022, the wholly-owned subsidiary of the company, Hafary Pte Ltd ("HPL") had acquired additional shareholdings of 30% in World Furnishing Hub Pte Ltd ("WFH") for a consideration of $3,020,000. WFH became 81%-owned subsidiary of HPL on 17 January 2022.

b) On 4 February 2022, the wholly-owned subsidiary of HPL, Hafary Crescent Pte Ltd had acquired a leasehold property for a consideration of $8,780,000.

Other Information Required by Listing Rule Appendix 7.2
31 December 2021

1. Review

The condensed interim consolidated statements of financial position of Hafary Holdings Limited (the "company") and its subsidiaries (the "group") as at 31 December 2021 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the reporting year then ended and certain explanatory notes have not been audited or reviewed.

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

Revenue

For 2H2021, the group registered a revenue of S$69.7 million compared to S$54.2 million during 2H2020. For FY2021, the group registered a revenue of S$130.1 million compared to S$84.3 million during FY2020.

The revenue mainly consists of below segments:

General segment
For 6 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S$8.5 million or 23.5% from S$36.1 million during 2H2020 to S$44.6 million during 2H2021. For 12 months ended, revenue from the general segment increased by S$28.8 million or 53.4% from S$53.9 million during FY2020 to S$82.7 million during FY2021. The increase in revenue was supported by active resale market, robust demand from home buyers who prefer the certainty of getting their flats in the resale market and avoid the construction delays for Build-To-Order flats, caused by manpower shortages and supply chain disruption.

Project segment
For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$6.5 million or 39.6% from S$16.4 million during 2H2020 to S$22.9 million during 2H2021. For 12 months ended, revenue from the project segment increased by S$16.2 million or 59.8% from S$27.1 million during FY2020 to S$43.3 million during FY2021. The increase in revenue was backed by pent-up demand on the construction and renovation sector in year 2021.

Interest Income

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

For FY2020, interest income mainly derived from a loan of US$1.5 million (equivalent to approximately S$2.1 million) to a joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"), to support their business expansion in China.

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

Other Gains

For 2H2021 and FY2021, other gains mainly comprised of government grants of S$0.7 million and S$1.6 million respectively. For 2H2020 and FY2020, other gains mainly comprised of government grants of S$1.8 million and S$3.5 million respectively. There are various relief measures and support from the Singapore government, including jobs support scheme and foreign worker levy rebate. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

Other Losses

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

For 2H2020 and FY2020, other losses mainly comprised of foreign exchange adjustments losses of S$0.4 million.

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

For 6 months ended, cost of sales increased by S$8.0 million or 28.8% from S$27.8 million during 2H2020 to S$35.8 million during 2H2021. For 12 months ended, cost of sales increased by S$23.4 million or 53.1% from S$44.1 million during FY2020 to S$67.5 million during FY2021. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income) and cost of sales, without taking into account labour costs and overheads) of 47.0% for 2H2021 and 46.5% for FY2021 has slightly improved as compared to 47.0% for 2H2020 and 45.4% for FY2020.

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

Employee Benefits Expenses

For 6 months ended, employee benefits expenses increased by S$2.8 million or 33.0% from S$8.2 million during 2H2020 to S$11.0 million during 2H2021. For 12 months ended, employee benefits expenses increased by S$5.1 million or 31.9% from S$16.2 million during FY2020 to S$21.3 million during FY2021. The increase was mainly due to 3 factors: the revision of accrued bonus to be in line with business performance during FY2021 and FY2020, the waiver of foreign worker levy in FY2020 and commission payout. Lesser foreign worker levy waiver received and higher staff commission due to higher sales collection as compared to FY2020 also contributed to the increase in employee benefits expenses.

As at 31 December 2021, the group has 323 employees (including directors) (31 December 2020: 325).

Amortisation and Depreciation Expenses

For 6 months ended, amortisation and depreciation expenses increased by S$0.5 million or 14.7% from S$3.4 million during 2H2020 to S$3.9 million during 2H2021. For 12 months ended, amortisation and depreciation expenses increased by S$0.3 million or 4.2% from S$7.2 million during FY2020 to S$7.5 million during FY2021. The increase was mainly due to increase in depreciation charge on newly acquired properties during the year offset with a ROU asset which has fully amortised in May 2020. The related tenancy was renewed for another one year which did not met the criteria for capitalisation as ROU assets.

Impairment Losses

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

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 sales experience, the ageing of inventories, the stock movement and other factors that affect inventory obsolescence taking into account the evolution of COVID-19 situation. Of these inventories, substantial impairment allowance has been made for slow-moving inventories. The impairment allowance for slow-moving inventories is based on the age of these inventories, the prevailing market demand of the inventory category and the deterioration of the products based on past experience.

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

Impairment Losses (cont'd)

In respect of the impairment of trade receivables, the management assesses the collectability of trade receivables regularly, considering various factors such as the financial status of the group's customers and the aging of trade debts. Impairment on specific trade receivables would be made if the chance of recovery is very low. Other than that, the expected credit losses ("ECL") model is also applied to determine the loss allowance for trade receivables based on historically observed default rates adjusted for forward-looking estimates. The assessment of the 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, 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 (including the impact arising from the COVID-19 situation).

For 6 months ended, the impairment losses mainly comprise the impairment of inventories of S$4.2 million and impairment of trade and non-trade receivables of S$0.6 million and S$0.4 million respectively. For 12 months ended, the impairment losses mainly comprise the impairment of inventories of S$7.6 million and impairment of trade and non-trade receivables of S$0.5 million and S$0.4 million respectively. The impairment losses increased by S$4.1 million or 93.0% from S$4.4 million during FY2020 to S$8.5 million during FY2021. The increase was mainly due to the increase in allowance for impairment of inventories based on the impairment assessment factors highlighted in previous paragraph.

Finance Costs

For 6 months ended, finance costs increased by S$0.3 million or 18.3% from S$1.4 million during 2H2020 to S$1.7 million during 2H2021. The increase in finance costs was mainly due to additional term loan interest of S$0.2 million incurred for purchase of properties located at 11 Changi North Way and 51 Middle Road during 2H2021. For 12 months ended, finance costs decreased by S$0.1 million or 1.7% from S$3.3 million during FY2020 to S$3.2 million during FY2021.

Other Expenses

For 6 months ended, other expenses increased by S$0.9 million or 18.6% from S$4.9 million during 2H2020 to S$5.8 million during 2H2021. For 12 months ended, other expenses increased by S$2.7 million or 33.7% from S$7.9 million during FY2020 to S$10.6 million during FY2021. The increase was mainly due to the suspension of business operation from early April 2020 to 18 June 2020.

The increase in other expenses was mainly due to the increase in commission expenses of S$0.6 million, hire of motor vehicles of S$0.6 million, rental expense of S$0.4 million, upkeep of motor vehicles of S$0.4 million, utilities of S$0.2 million, property tax expense of S$0.2 million and compensation fee given of $0.1 million. The remaining other expenses fluctuate less than S$0.1 million individually. The increase in commission expense is correlated to the increase in sales collection during the period and sales commission payable to agent for the renewal of tenancy agreement. The increase in rental expense was due to the lease tenancy did not meet the criteria for capitalisation as ROU assets due to short term lease.

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

Share of Profit from an Equity-Accounted Associate

For 6 months ended, share of profit from associate amounted to S$1.3 million (2H2020: share of profit of S$1.2 million). For 12 months ended, share of profit from associate amounted to S$1.2 million (FY2020: share of profit of S$1.8 million). The decrease was due to prolonged effect of the COVID-19 situation.

Share of (Losses) Profits from Equity-Accounted Joint Ventures

For 6 months ended, share of losses from joint ventures amounted to S$27,000 (2H2020: share of profits of S$0.5 million). For 12 months ended, share of profits from joint ventures amounted to S$0.4 million (FY2020: share of profits of S$0.1 million). The increase in joint venture profits was mainly attributable by the improved financial performance of the joint ventures in Singapore and China during the financial year.

Profit Before Income Tax

For 6 months ended, the group has generated a profit before tax of S$8.7 million as compared to a profit before tax of S$8.2 million in 2H2020. For 12 months ended, the group has generated a profit before tax of S$15.1 million as compared to a profit before tax of S$6.3 million in FY2020.

For 6 months ended, excluding share of profit from associate and share of losses from joint ventures amounting to S$1.2 million for 2H2021 (2H2020: S$1.7 million), profit before income tax incurred from recurring activities was S$7.5 million for 2H2021 (2H2020: profit before income tax of S$6.5 million). For 12 months ended, excluding share of profit from associate and share of profits from joint ventures amounting to S$1.6 million for FY2021 (FY2020: S$1.8 million), profit before income tax incurred from recurring activities was S$13.5 million for FY2021 (FY2020: profit before income tax of S$4.5 million).

Other Comprehensive Income (Loss)

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. For 6 months ended, income tax expense amounted to S$1.8 million (2H2020: income tax expense of S$1.0 million). For 12 months ended, income tax expense amounted to S$2.8 million (FY2020: income tax expense of S$0.7 million). The increase in income tax expense was due to higher taxable profit during the year.

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

Non-Current Assets

Non-current assets increased by S$57.8 million or 43.3% from S$133.4 million as at 31 December 2020 to S$191.2 million as at 31 December 2021.

Property, plant and equipment increased by S$22.1 million or 30.5% from S$72.5 million as at 31 December 2020 to S$94.6 million as at 31 December 2021. The increase was mainly due to the addition of property, property, plant and equipment amounting to S$27.1 million and foreign exchange adjustments of S$0.2 million during FY2021. The increase was partially offset by the depreciation expense amounting to S$5.2 million during the year.

The increase was mainly due to:

a) Purchase of a leasehold property for own use, which is located at 11 Changi North Way Singapore 498796 amounting to S$17.3 million (inclusive of stamp duty) by its subsidiary, Hafary Pte Ltd;
b) Showroom renovation cost amounting to S$2.7 million;
c) Plant and equipment additions amounting to S$1.7 million; and
d) Purchase of a leasehold property for own use, which is located at 51 Middle Road Singapore 188959 amounting to S$4.0 million (inclusive of stamp duty) by its subsidiary, Hafary W+S Pte Ltd.

The right-of-use assets comprised of leasehold lands (land use rights relating to group's leasehold properties in Singapore and China) and leases of premises. Right-of-use assets increased by S$33.9 million or 89.4% from S$37.9 million as at 31 December 2020 to S$71.8 million as at 31 December 2021. The increase was due to the capitalisation of right-of-use assets in relation to the leases of S$36.0 million and foreign exchange adjustments of S$0.2 million during the year and was partially offset by depreciation of S$2.3 million.

The increase was mainly due to purchase of land use rights in relation to one of the leasehold properties which is mentioned above.

Investment in associate increased by S$1.7 million or 10.8% from S$15.8 million as at 31 December 2020 to S$17.5 million as at 31 December 2021. The increase was mainly due to exchange differences on translating associate with foreign operation amounting to S$0.5 million and share of profit amounting to S$1.2 million from associate.

Investment in joint ventures increased by S$0.1 million or 3.7% from S$2.7 million as at 31 December 2020 to S$2.8 million as at 31 December 2021. The increase was mainly due to share of profits amounting to S$0.4 million from joint ventures and exchange differences on translating joint ventures with foreign operation amounting to S$0.1 million. The increase was partially offset by dividends amounting to S$0.4 million from joint ventures.

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

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

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

Current Assets

Current assets increased by S$3.3 million or 3.6% from S$91.5 million as at 31 December 2020 to S$94.8 million as at 31 December 2021.

The increase was mainly due to increase in trade and other receivables of S$5.8 million, other non-financial assets of S$1.4 million and cash and cash equivalents of S$0.8 million. The increase was partially offset by the decrease in inventories of S$4.7 million.

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

Trade receivables turnover day as at 31 December 2021 was 77 days compared to 90 days as at 31 December 2020. Inventory turnover day as at 31 December 2021 was 250 days compared to 354 days as at 31 December 2020. The improved trade receivables turnover days mainly due to timely collection from customers. The lower net inventory turnover days as compared to 31 December 2020 mainly due to high movement of inventories to cope the pent-up demand in the construction and renovation sector during FY2021.

Non-Current Liabilities

Non-current liabilities increased by S$34.1 million or 36.9% from S$92.3 million as at 31 December 2020 to S$126.4 million as at 31 December 2021. The increase was mainly attributable to the increase in bank loans and lease liabilities of S$30.6 million and S$3.1 million respectively.

Bank loans increased by S$30.6 million or 37.2% from S$82.3 million as at 31 December 2020 to S$112.9 million as at 31 December 2021. The increase was mainly due to additional bank loans amounting to S$41.0 million during FY2021. The increase was partially offset by the repayment of bank loans amounting to S$10.4 million during the period.

The increase in bank loans (both current and non-current portion) was mainly due to:

a) Additional bank loans in relation to purchase of two units of leasehold properties for own use located at 11 Changi North Way Singapore 498796 and 51 Middle Road Singapore 188959 amounting to S$40.6 million;
b) Increase in trust receipts and bills payables by S$9.7 million;
c) Additional bank loans of S$7.6 million for working capital use; and
d) Additional bank loan of S$0.5 million for construction works located at 11 Changi North Way Singapore 498796.

Current Liabilities

Current liabilities increased by S$23.1 million or 39.1% from S$59.1 million as at 31 December 2020 to S$82.2 million as at 31 December 2021.

The increase was mainly attributable to the increase in income tax payable of S$1.4 million, provision of S$0.2 million, trade and other payables of S$1.4 million, derivative financial liabilities of S$0.1 million and other financial liabilities of S$20.5 million. The increase was partially offset by the decrease in other non-financial liabilities of S$0.4 million.

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

Current Liabilities (cont'd)

The provision is pertaining to provision of rebate to customers.

Total amount of trade payables and trust receipts and bills payable to banks was S$27.1 million (31 December 2020: S$16.3 million). The turnover of the aforesaid items (based on cost of sales) is 142 days as at 31 December 2021 compared to 134 days as at 31 December 2020.

The increase in other financial liabilities was mainly due to increase in trust receipts and bill payables by S$9.7 million, short term loans by S$7.7 million, transfer of non-current bank loans to current bank loans by S$3.1 million.

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

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

Cash Flows Review

2H2021

Net cash flows from operating activities was S$17.4 million due to operating cash flows before working capital changes of S$13.1 million, net cash flows from working capital of S$4.6 million and income tax paid of S$0.3 million. The net cash flows from working capital of S$4.6 million was mainly attributable by the decrease in inventories of S$4.0 million, decrease in other non-financial assets of S$0.2 million and increase in trade and other payables of S$1.4 million and was partially offset by the increase in trade and other receivables of S$1.0 million.

Net cash flows used in investing activities amounting to S$38.5 million was mainly attributable by the purchase of property, plant and equipment of S$7.4 million, upfront payment for right-of-use assets of S$31.8 million and deposits paid for property acquisition of S$0.9 million and was partially offset by the repayment of loan principal from an associate of S$1.3 million and net movements in amount due from joint ventures of S$0.3 million.

Net cash flows from financing activities amounting to S$22.9 million was mainly attributable by the increase in borrowings of S$37.8 million and was partially offset by the dividends paid to equity owners of S$3.2 million, net movements in amounts due to a director cum a shareholder of S$0.6 million, net movements in amounts due to a shareholder of S$0.6 million, repayment of lease liabilities of S$0.7 million, decrease in other financial liabilities of S$4.6 million and repayment of interest expense of S$1.5 million, decrease in trust receipt and bill payable of S$1.8 million and acquisition of non-controlling interest of S$1.9 million.

As a result of the above, there was a net increase of S$1.8 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2021 was S$6.1 million.

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

Cash Flows Review (cont'd)

FY2021

Net cash flows from operating activities was S$25.5 million due to operating cash flows before working capital changes of S$24.2 million, net cash flows from working capital of S$2.4 million and income tax paid of S$1.1 million. The net cash flows from working capital of S$2.4 million was mainly attributable by the decrease in inventories of S$4.7 million and increase in trade and other payables of S$3.0 million and provision of S$0.2 million and was partially offset by the increase in trade and other receivables of S$3.6 million and other non-financial assets of S$1.4 million and decrease in other non-financial liabilities of S$0.5 million.

Net cash flows used in investing activities amounting to S$60.1 million was mainly attributable by the purchase of property, plant and equipment of S$26.4 million, upfront payment for right-of-use assets of S$31.8 million, loan to an associate, net of repayment of S$1.4 million, deposits paid for property acquisition of S$0.9 million and was partially offset by the dividend income from a joint venture of S$0.4 million.

Net cash flows from financing activities amounting to S$35.4 million was mainly attributable by the increase in trust receipt and bill payable of S$9.7 million and borrowings of S$52.6 million and was partially offset by the dividends paid to equity owners of S$6.4 million, dividends paid to non-controlling interests of S$1.2 million, net movements in amounts due to a director cum a shareholder of S$1.1 million, net movements in amounts due to a shareholder of S$1.1 million, repayment of lease liabilities of S$1.4 million, decrease in other financial liabilities of S$11.0 million, repayment of interest expense of S$2.8 million and acquisition of non-controlling interest of S$1.9 million.

As a result of the above, there was a net increase of S$0.8 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2021 was S$6.1 million.

3. Forecast, or a prospect statement

There was no forecast or a prospect statement.

4. Significant trends and competitive conditions of the industry

Based on advance estimated released by Ministry of Trade and Industry (MTI) on 3 January 2022, the Singapore economy grew by 5.9% on a year-on-year basis in the fourth quarter of 2021, moderating from the 7.1% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.6% in the fourth quarter of 2021, faster than the 1.2% growth in the preceding quarter. For the whole of 2021, the economic grew by 7.2%, rebounding from 5.4% contraction in 2020.

The construction sector grew by 2.0% on a year-on-year basis in the fourth quarter of 2021, slower than the 66.3% growth in the preceding quarter. In absolute terms, the value added of the sector remained 26.0% below its pre-COVID (i.e., fourth quarter of 2019) level, as activity at construction worksites continued to be weighed down by labour shortages due to border restrictions on the entry of migrant workers. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 4.4% in the fourth quarter, a reversal from from the 4.9% growth in the previous quarter.

On 26 January 2022, The Building and Construction Authority (BCA) projects the total construction demand (i.e. the value of construction contracts to be awarded) in 2022 to be between S$27 billion and S$32 billion.

The public sector is expected to contribute about 60 per cent of the total construction demand, between S$16 billion and S$19 billion. This is supported by the strong pipeline of public housing projects including those under the Home Improvement Programme, as well as healthcare developments and infrastructure works such as the Cross Island MRT Line (Phase 1).

The private sector construction demand is anticipated to reach between S$11 billion and S$13 billion in 2022, comparable with the volume in 2021. Given the latest property cooling measures, residential building demand is anticipated to moderate year-on-year amid more cautious market sentiments. However, commercial building demand is expected to increase as hotels and attractions undergo refurbishment to prepare for inbound tourism revival, and older commercial premises are earmarked for redevelopment to enhance their asset values. In addition, the private sector industrial building demand is expected to see some support from the construction of energy storage facilities and biopharmaceutical manufacturing plants.

The preliminary total construction demand for 2021 increased by 42 percent to about S$30 billion compared to the preceding year, largely driven by public housing and infrastructure projects as well as an improvement in investment sentiments. This was about 7 per cent higher than the upper bound of BCA's earlier forecast of S$23 billion to S$28 billion, mainly due to increase in tender prices resulting from manpower and materials cost inflation.

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

The public sector construction demand increased from S$12.2 billion in 2020 to S$18.2 billion in 2021, underpinned by major projects such as the Cross Island MRT Line, Jurong Region MRT Line, Tuas Water Reclamation Plant and new Build-To-Order (BTO) units. Likewise, the private sector construction demand expanded from S$8.9 billion in 2020 to S$11.8 billion in 2021, supported by higher demand for residential, commercial and industrial building developments as the economy recovers.

Over the medium-term, BCA expects the total construction demand to reach between S$25 billion and S$32 billion per year from 2023 to 2026.

The public sector is expected to lead the demand and contribute S$14 billion to S$18 billion per year from 2023 to 2026. About half of the demand will come from building projects and the other half from civil engineering works. Besides public housing developments, there are also various major developments in the pipeline, such as MRT projects including the Cross Island Line (Phases 2 & 3) and its Punggol Extension and the Downtown Line Extension to Sungei Kadut, the Toa Payoh Integrated Development, redevelopment of Alexandra hospital and a new integrated hospital at Bedok.

The private sector construction demand is projected to remain steady over the medium-term, reaching about S$11 billion to S$14 billion per year from 2023 to 2026, in view of healthy investment appetite amid Singapore's strong economic fundamentals.

The total nominal construction output (value of certified progress payments) is projected to increase to between S$29 billion to S$32 billion for 2022, from the preliminary estimate of about S$26 billion for 2021. The is due to a steady level of construction demand and the backlog of remaining workloads that were affected by the COVID-19 pandemic since 2020.

The construction sector is facing challenges such as supply chain disruptions, labour shortages, higher material and manpower costs, higher cost and time resources needed to comply with COVID-safe measures as well as pressing demand to make up for lost time in the completion of projects.

The above information is sourced from:

1. *MTI's press release on 3 January 2022 - https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2022/01/AdvEst_4Q21.pdf*

2. *BCA's media release on 26 January 2022 - https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/sustained-construction-demand-in-2022-supported-by-public-sector-projects.pdf*

5. Dividend

5A. Dividend declared for the current financial period

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

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

	FY2020	FY2020
Name of Dividend	Final Dividend Exempt (1-tier)	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash	Cash
Total number of issued ordinary shares ('000)	430,550	430,550
Dividend per share	0.50 cent	0.25 cent

5C. Date payable

To be announced later.

5D. Record date

To be announced later.

6. Interested person transactions

Name of interested person and nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920) 12 months ended 31 December		Aggregate value of all IPTs conducted under IPT Mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 12 months ended 31 December	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Purchases of goods:				
MML Marketing Pte Ltd	–	–	5,333	2,563
Malaysian Mosaics Sdn Bhd	–	–	186	271
Sales of goods:				
Malaysian Mosaics Sdn Bhd	–	–	397	–
Low See Ching (Non-Independent Non-Executive Director)	–	377	–	–
Staff secondment fees:				
MML Marketing Pte Ltd	103	–	–	–

General mandate for IPT was renewed at the Annual General Meeting held on 14 April 2021.

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

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

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

Please refer to section 2 of this announcement for the full year ended 31 December 2021.

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

Name	Age	Family relationship with any director and / or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Low Kok Ann	73	Father of Low See Ching	Executive Director (since 2009) and Chief Executive Officer ("CEO") (since 2014)	No change
Low See Ching	46	Son of Low Kok Ann	Non-Executive Director (since 2014)	No change

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

As previously announced on 24 March 2021, the company's wholly-owned subsidiary, Hafary Pte Ltd ("HPL"), entered into a sale and purchase agreement with Sitra Agencies Pte Ltd to acquire a 10.0% stake in HPL's subsidiary, World Furnishing Hub Pte Ltd ("WFH") (the "First SPA"). Pursuant to the terms of the First SPA, first completion occurred on 29 December 2021, pursuant to which HPL acquired the first 5.0% stake in WFH, which resulted in HPL having a 51.0% direct shareholding in the issued share capital of WFH.

As previously announced on 29 December 2021, HPL entered into a second sale and purchase agreement with another shareholder of WFH, Mr Ching Chiat Kwong (the "Second SPA"), for HPL's acquisition of an additional 25.0% stake in WFH from Mr Ching Chiat Kwong. On 17 January 2022, the company announced the second completion of the First SPA and the completion of the Second SPA. Following this, HPL now has a 81.0% direct shareholding in the issued share capital of WFH. The aggregate value of the consideration paid for the First SPA and Second SPA amounting to $4,870,000. The net tangible liabilities attributable to the Sales Shares is S$1,412,000 at the financial year ended 31 December 2021. The aggregate value of the consideration including the net tangible liabilities attributable to the Sales Shares as of 31 December 2021 is $6,282,000.

Please refer to company's announcements dated 24 March 2021, 29 June 2021, 29 September 2021, 29 December 2021 and 17 January 2022 for more information, including (i) the aggregate value of the consideration payable, the factors taken into account in arriving at the consideration and the manner in which the consideration was satisfied; and (ii) the net asset value represented by the shares acquired.

10. Disclosure pursuant to Rule 706A of the Listing Manual (cont'd)

Save for the above, the group has not, during the financial year ended 31 December 2021, undertaken:

(a) any acquisition of shares (i) resulting in a company becoming a subsidiary or an associated company of the group; or (ii) resulting in the group increasing its shareholding percentage in a subsidiary or an associated company; or

(b) any sale of shares (i) resulting in a company ceasing to be a subsidiary or an associated company of the group; or (ii) shares resulting in the group reducing its shareholding percentage in a subsidiary or an associated company.

11. Confirmation by the board

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

By Order of the Board

Low Kok Ann
Executive Director and Chief Executive Officer

Low See Ching
Non-Independent Non-Executive Director

22 February 2022