



HAFARY HOLDINGS LIMITED

合發利控股有限公司

Company Registration No. 200918637C

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

Unaudited Financial Statements Announcement

For the Second Quarter ("2Q2015") and Half Year ("HY2015") Ended

31 December 2014

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HAFARY HOLDINGS LIMITED

For the Period Ended 31 December 2014

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

	Group			Group		
	Unaudited 2Q2015	Unaudited 2Q2014	Increase/ (Decrease)	Unaudited HY2015	Unaudited HY2014	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	%	(6 months) S\$'000	(6 months) S\$'000	%
Revenue	33,526	25,461	31.7	60,530	48,913	23.8
<u>Other Items of Income</u>						
Interest Income	17	-	N.M	33	-	N.M
Other Credits	50	-	N.M	151	1	N.M
<u>Other Items of Expense</u>						
Changes in Inventories of Finished Goods	623	1,815	(65.7)	2,073	6,076	(65.9)
Purchases and Related Expenses	(21,198)	(17,510)	21.1	(38,843)	(36,131)	7.5
Employee Benefits Expenses	(3,717)	(3,275)	13.5	(7,170)	(6,521)	10.0
Depreciation Expense	(790)	(671)	17.7	(1,553)	(1,294)	20.0
Impairment Losses	(585)	29	N.M	(755)	(54)	N.M
Other Charges	(358)	(472)	(24.2)	(138)	(479)	(71.2)
Finance Costs	(516)	(466)	10.7	(1,040)	(883)	17.8
Other Expenses	(2,543)	(2,298)	10.7	(5,148)	(4,493)	14.6
Share of Profit from Equity-Accounted Associate	637	427	49.2	858	495	73.3
Share of Profit from Equity-Accounted Joint Venture	16	77	(79.2)	79	95	(16.8)
Profit Before Tax	5,162	3,117	65.6	9,077	5,725	58.6
Income Tax Expense	(665)	(453)	46.8	(1,169)	(902)	29.6
Profit, Net of Tax	4,497	2,664	68.8	7,908	4,823	64.0
Other Comprehensive Income:						
Items that may be reclassified subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	264	-	N.M	502	-	N.M
Other Comprehensive Income for the Period, Net of Tax	264	-	N.M	502	-	N.M
Total Comprehensive Income	4,761	2,664	N.M	8,410	4,823	N.M
Profit, Net of Tax Attributable to:						
- Owners of the Parent	4,265	2,466	73.0	7,485	4,483	67.0
- Non-Controlling Interests	232	198	17.2	423	340	24.4
	4,497	2,664	68.8	7,908	4,823	64.0
Total Comprehensive Income Attributable to:						
- Owners of the Parent	4,529	2,466	83.7	7,987	4,483	78.2
- Non-Controlling Interests	232	198	17.2	423	340	24.4
	4,761	2,664	78.7	8,410	4,823	74.4

Note:

(1) N.M = Not meaningful.

(2) 2Q2014 = Financial period of 3 months ended 31 December 2013.

(3) HY2014 = Financial period of 6 months ended 31 December 2013.

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For the Period Ended 31 December 2014

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

	Group			Group		
	Unaudited 2Q2015	Unaudited 2Q2014	Increase/ (Decrease) %	Unaudited HY2015	Unaudited HY2014	Increase/ (Decrease) %
	(3 months) S\$'000	(3 months) S\$'000		(6 months) S\$'000	(6 months) S\$'000	
Interest Expense on Borrowings	(516)	(466)	10.7	(1,040)	(883)	17.8
Interest Income on Borrowing	17	-	N.M	33	-	N.M
Depreciation Expense	(790)	(671)	17.7	(1,553)	(1,294)	20.0
Allowance for Impairment of Trade Receivables	(386)	-	N.M	(386)	-	N.M
Doubtful Debts Recovered	-	26	N.M	-	29	N.M
Bad Debts Recovered - Trade Receivables	-	-	N.M	1	-	N.M
Bad Debts Written Off - Trade Receivables	(2)	(1)	100.0	(5)	(1)	N.M
Other Assets Written Off	-	(14)	N.M	-	(14)	N.M
Allowance for Impairment of Inventories	(197)	-	N.M	(365)	(68)	N.M
Allowance for Impairment of Inventories - Reversal	-	18	N.M	-	-	N.M
Foreign Exchange Adjustment Losses	(356)	(247)	44.1	(138)	(86)	60.5
Fair Value Gain/ (Loss) on Derivative Financial Instruments	26	151	(82.8)	47	(9)	N.M
Adjustment for Over Provision of Tax in respect of Prior Years	-	-	N.M	167	-	N.M
(Loss)/ Gain on Disposal of Property, Plant and Equipment	(2)	(378)	(99.5)	16	(385)	N.M

HAFARY HOLDINGS LIMITED

For the Period Ended 31 December 2014

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

	Group		Company	
	Unaudited 31 December 2014 S\$'000	Audited 30 June 2014 S\$'000	Unaudited 31 December 2014 S\$'000	Audited 30 June 2014 S\$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	67,887	67,239	359	402
Other Asset, Non-Current	4,987	4,771	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in Associate	4,354	3,496	-	-
Investment in Joint Venture	284	278	-	-
Other Financial Asset	1,247	1,247	1,247	1,247
Total Non-Current Assets	78,759	77,031	10,845	10,888
Current Assets:				
Inventories	43,064	41,356	-	-
Trade and Other Receivables	34,034	26,820	26,039	25,839
Other Assets, Current	7,589	4,270	10	13
Cash and Cash Equivalents	5,258	4,857	21	120
Total Current Assets	89,945	77,303	26,070	25,972
Total Assets	168,704	154,334	36,915	36,860
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings	12,923	11,015	142	1,393
Other Reserves	502	-	-	-
Equity, Attributable to Owners of the Parent	40,059	37,649	26,776	28,027
Non-Controlling Interests	3,291	2,635	-	-
Total Equity	43,350	40,284	26,776	28,027
Non-Current Liabilities:				
Deferred Tax Liabilities	449	449	-	-
Other Financial Liabilities	35,928	36,941	144	165
Total Non-Current Liabilities	36,377	37,390	144	165
Current Liabilities:				
Provision	585	369	-	-
Income Tax Payable	6,142	5,716	11	5
Trade and Other Payables	17,113	14,944	9,944	8,624
Other Financial Liabilities	64,262	54,701	40	39
Other Liabilities	818	826	-	-
Derivative Financial Instruments	57	104	-	-
Total Current Liabilities	88,977	76,660	9,995	8,668
Total Liabilities	125,354	114,050	10,139	8,833
Total Equity and Liabilities	168,704	154,334	36,915	36,860

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

	Group			
	Unaudited		Audited	
	As at 31 December 2014		As at 30 June 2014	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	36,917	-	35,557	-
Trust Receipts and Bills Payable to Banks	27,157	-	19,006	-
Finance Lease Liabilities	188	-	138	-
	64,262	-	54,701	-

Amount repayable after one year

	Group			
	Unaudited		Audited	
	As at 31 December 2014		As at 30 June 2014	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	35,517	-	36,567	-
Finance Lease Liabilities	411	-	374	-
	35,928	-	36,941	-

Details of collaterals relating to the above borrowings

Bank Loans

These are covered by corporate guarantees given by Hafary Holdings Limited and secured by legal charges over leasehold properties of certain subsidiaries.

Loan facility pertaining to acquisition and development of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 is secured by legal charge over the leasehold property. It is also proportionately covered by corporate guarantees given by Hafary Holdings Limited and Hafary Pte Ltd (for S\$29,901,300) and personal guarantees given by a Non-Executive Director (for S\$12,350,500) and a substantial shareholder (S\$16,228,200).

Trust Receipts and Bills Payable to Banks

These are covered by corporate guarantees given by Hafary Holdings Limited and a subsidiary.

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For the Period Ended 31 December 2014

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

	Group		Group	
	Unaudited 2Q2015 (3 months) S\$'000	Unaudited 2Q2014 (3 months) S\$'000	Unaudited HY2015 (6 months) S\$'000	Unaudited HY2014 (6 months) S\$'000
	Cash Flows From Operating Activities			
Profit Before Income Tax	5,162	3,117	9,077	5,725
Adjustment for:				
Interest Expense	516	466	1,040	883
Interest Income	(17)	-	(33)	-
Share of Profit from Associate	(637)	(427)	(858)	(495)
Share of Profit from Joint Venture	(16)	(77)	(79)	(95)
Depreciation of Property, Plant and Equipment	757	671	1,486	1,294
Depreciation of Other Asset, Non-Current	33	-	67	-
Loss/ (Gain) on Disposal of Property, Plant and Equipment	2	378	(16)	385
Fair Value (Gain)/ Loss on Derivative Financial Instruments	(26)	(151)	(47)	9
Net Effect of Exchange Rate Changes in Consolidating Subsidiary	(42)	-	(92)	-
Operating Cash Flows Before Changes in Working Capital	5,732	3,977	10,545	7,706
Inventories	(427)	(1,834)	(1,708)	(6,008)
Trade and Other Receivables	(6,416)	(869)	(7,212)	(2,320)
Other Assets	(2,381)	(391)	(3,319)	1,607
Cash Restricted in Use	-	-	82	-
Provision	213	37	216	2
Trade and Other Payables	3,630	2,755	2,629	3,346
Other Liabilities	(86)	(184)	(8)	(255)
Net Cash Flows From Operations	265	3,491	1,225	4,078
Income Taxes Paid	(471)	(517)	(743)	(875)
Net Cash Flows (Used in)/ From Operating Activities	(206)	2,974	482	3,203
Cash Flows From Investing Activities				
Purchase of Property, Plant and Equipment	(763)	(1,318)	(1,695)	(2,654)
Progress Payments Received from Sale of Development Property	-	6,322	-	6,322
Proceeds from Disposal of Property, Plant and Equipment	-	-	164	-
Dividend Income from Joint Venture	58	45	78	45
Interest Received	2	-	26	-
Net Cash Flows (Used in)/ From Investing Activities	(703)	5,049	(1,427)	3,713
Cash Flows From Financing Activities				
Dividends Paid to Equity Owners	(5,577)	(10,725)	(5,577)	(17,160)
Dividends Paid to Non-Controlling Interests	(255)	(172)	(255)	(172)
Increase/ (Decrease) in Trust Receipts and Bills Payable	4,954	(1,162)	8,151	(3,133)
Repayment of Finance Lease Liabilities	(46)	(48)	(189)	(93)
Proceeds From New Bank Loans	3,008	20,464	3,009	26,964
Repayment of Bank Loans	(1,050)	(16,154)	(2,699)	(16,766)
Interest Expense Paid	(487)	(418)	(1,012)	(845)
Net Cash Flows From/ (Used in) Financing Activities	547	(8,215)	1,428	(11,205)
Net (Decrease)/ Increase in Cash and Cash Equivalents	(362)	(192)	483	(4,289)
Cash and Cash Equivalents, Beginning Balance	5,620	5,486	4,775	9,583
Cash and Cash Equivalents, Ending Balance	5,258	5,294	5,258	5,294

Note:

During the period of HY2015, plant and equipment with a total cost of S\$276,000 (HY2014: Nil) were acquired by means of finance leases.

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For the Period Ended 31 December 2014

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

GROUP	Total Equity S\$'000	Attributable to Parent Subtotal S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Other Reserves S\$'000	Non-Controlling Interests S\$'000
Current Period (Unaudited):						
Opening Balance at 1 July 2014	40,284	37,649	26,634	11,015	-	2,635
Total Comprehensive Income for the Period	3,649	3,458	-	3,220	238	191
Capital Contribution by Non-Controlling Interests	488	-	-	-	-	488
Closing Balance at 30 September 2014	44,421	41,107	26,634	14,235	238	3,314
Total Comprehensive Income for the Period	4,761	4,529	-	4,265	264	232
Dividends Paid ⁽¹⁾	(5,577)	(5,577)	-	(5,577)	-	-
Dividends Paid to Non-Controlling Interests	(255)	-	-	-	-	(255)
Closing Balance at 31 December 2014	43,350	40,059	26,634	12,923	502	3,291
Previous Period (Unaudited):						
Opening Balance at 1 July 2013	46,751	44,676	26,634	18,042	-	2,075
Total Comprehensive Income for the Period	2,159	2,017	-	2,017	-	142
Closing Balance at 30 September 2013	48,910	46,693	26,634	20,059	-	2,217
Total Comprehensive Income for the Period	2,664	2,466	-	2,466	-	198
Dividends Paid ⁽¹⁾	(10,725)	(10,725)	-	(10,725)	-	-
Dividends Paid to Non-Controlling Interests	(172)	-	-	-	-	(172)
Closing Balance at 31 December 2013	40,677	38,434	26,634	11,800	-	2,243

COMPANY	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000
Current Period (Unaudited):			
Opening Balance at 1 July 2014	28,027	26,634	1,393
Total Comprehensive Income for the Period	4,317	-	4,317
Closing Balance at 30 September 2014	32,344	26,634	5,710
Total Comprehensive Income for the Period	9	-	9
Dividends Paid ⁽¹⁾	(5,577)	-	(5,577)
Closing Balance at 31 December 2014	26,776	26,634	142
Previous Period (Unaudited):			
Opening Balance at 1 July 2013	37,773	26,634	11,139
Total Comprehensive Income for the Period	14	-	14
Closing Balance at 30 September 2013	37,787	26,634	11,153
Total Comprehensive Income for the Period	4,305	-	4,305
Dividends Paid ⁽¹⁾	(10,725)	-	(10,725)
Closing Balance at 31 December 2013	31,367	26,634	4,733

Note:

(1)	Dividends on Equity Shares	Unaudited HY2015 S\$'000	Unaudited HY2014 S\$'000
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Final tax exempt (1-tier) dividend paid of:

- 0.3 cents per share on total number of issued ordinary shares of 429,000,000	1,287	-
- 2.5 cents per share on total number of issued ordinary shares of 429,000,000	-	10,725

Interim tax exempt (1-tier) dividend paid of:

- 1.0 cents per share on total number of issued ordinary shares of 429,000,000	4,290	-
	<u>5,577</u>	<u>10,725</u>

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For the Period Ended 31 December 2014

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

	Company			
	Unaudited HY2015		Unaudited HY2014	
	No. of Shares	S\$'000	No. of Shares	S\$'000
Total number of shares at the beginning and end of the period	429,000,000	26,634	429,000,000	26,634

The Company has no outstanding convertibles or treasury shares as at 31 December 2014 and 31 December 2013.

On 1 August 2014, Awards under the Hafary Performance Share Plan ("Hafary PSP") comprising 1,550,000 ordinary shares were granted to certain Group Executives who are not Executive Directors or Independent Directors. The Awards will be released subject to terms and conditions of the Hafary PSP being met during the Performance Period of three years. No Award was granted during HY2015 under the Hafary PSP.

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

Company	
Unaudited 31 December 2014	Audited 30 June 2014
429,000,000	429,000,000

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

The Company has no treasury shares as at 31 December 2014 and there were no sales transfers, disposal, cancellation and/or use of treasury shares during HY2015.

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

The figures have not been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

The Group had adopted the new and/or revised Financial Reporting Standards (the "FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 July 2014. Changes to the Group's accounting policies have been made in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and/or revised FRS and INT FRS did not result in any substantial changes or significant impact on the Group's financial statements.

Except for the above, the Group has adopted the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the reporting year ended 30 June 2014.

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

Same as above.

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For the Period Ended 31 December 2014

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

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

	Group		Group	
	Unaudited 2Q2015 (3 months)	Unaudited 2Q2014 (3 months)	Unaudited HY2015 (6 months)	Unaudited HY2014 (6 months)
Earnings per ordinary share				
(a) Basic	0.99 cents	0.57 cents	1.74 cents	1.04 cents
Weighted average number of ordinary shares	429,000,000	429,000,000	429,000,000	429,000,000
(b) On a fully diluted basis	0.99 cents	0.57 cents	1.74 cents	1.04 cents
Weighted average number of ordinary shares	429,000,000	429,000,000	429,000,000	429,000,000

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For the Period Ended 31 December 2014

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

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

	Group		Company	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Net asset value per ordinary share based on the total number of share in issue	9.3 cents	8.8 cents	6.2 cents	6.5 cents

Note:

Net asset value per ordinary share is calculated based on 429,000,000 ordinary shares as at 31 December 2014 and 30 June 2014.

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

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

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

Revenue

For 2Q2015, the Group registered a higher revenue of S\$33.5 million compared to S\$25.5 million during 2Q2014. For HY2015, the Group registered a higher revenue of S\$60.5 million compared to S\$48.9 million during HY2014.

General segment

For quarter ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S\$3.9 million or 30.9% from S\$12.6 million during 2Q2014 to S\$16.5 million during 2Q2015. For half year ended, revenue from general segment increased by S\$4.2 million or 16.4% from S\$25.7 million during HY2014 to S\$29.9 million during HY2015.

Project segment

For the quarter ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S\$4.0 million or 32.3% from S\$12.4 million during 2Q2014 to S\$16.4 million during 2Q2015. For half year ended, revenue from project segment increased by S\$6.9 or 30.3% million from S\$22.8 million during HY2014 to S\$29.7 million during HY2015. The Group supplied tiles and building materials for several development projects during HY2015, for example Sky Habitat in Bishan, Beauty World MRT Station of Downtown Line and YALE NUS College.

Interest Income

Interest income is mainly derived from loan to associate, Viet Ceramics International Joint Stock Company, to finance its expansion in Vietnam.

Other Credits

Other credits during 2Q2015 and HY2015 comprised of receipt of government grant under the PIC Bonus Scheme, gain of disposal of motor vehicle and fair value gains on derivative financial instruments.

Cost of Sales

Cost of sales is computed based on purchases and related expenses net of changes in inventories of finished goods for the respective financial years.

For quarter ended, cost of sales increased by S\$4.9 million or 31.1% from S\$15.7 million during 2Q2014 to S\$20.6 million during 2Q2015. For half year ended, cost of sales increased by S\$6.7 million or 22.3% from S\$30.1 million during HY2014 to S\$36.8 million in HY2015.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income), purchase cost of goods and related costs, without taking into account labour costs and overheads) of 37.5% for 2Q2015 (HY2015: 38.2%) was comparable to 37.3% for 2Q2014 (HY2014: 37.9%).

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

Employee Benefits Expenses

For quarter ended, employee benefits expenses increased by S\$0.4 million or 13.5% from S\$3.3 million during 2Q2014 to S\$3.7 million during 2Q2015. For half year ended, employee benefits expenses increased by S\$0.6 million or 10.0% from S\$6.5 million during HY2014 to S\$7.2 million during HY2015.

The increase was mainly due to annual salary increment with effect from July 2014 and overtime expenses incurred to cope with the increased volume of business of the Group.

As at the end of HY2015, the Group had 249 employees (including directors) (HY2014: 245).

Depreciation Expense

For quarter ended, depreciation expense increased by S\$0.1 million or 17.7% from S\$0.7 million during 2Q2014 to S\$0.8 million during 2Q2015. For half year ended, depreciation expense increased by S\$0.3 million or 20.0% from S\$1.3 million during HY2014 to S\$1.6 during HY2015. The increase was due to increase in property, plant and equipment held by the Group during the respective financial periods.

Impairment Losses

For quarter ended, impairment losses of S\$0.6 million was incurred during 2Q2015 compared to net impairment reversal of S\$29,000 during 2Q2014. For half year ended, impairment losses increased by S\$0.7 million from S\$0.1 million during HY2014 to S\$0.8 million during HY2015.

The increase was mainly due to increase in allowance for impairment of inventories and trade receivables.

Other Charges

Other charges incurred during 2Q2014 and HY2014 was in relation to loss on disposal of plant and equipment and net foreign exchange adjustment losses. During 2Q2015 and HY2015, Other charges was in relation to net foreign exchange adjustment losses.

Finance Costs

Finance costs was S\$0.5 million for 2Q2014 and 2Q2015 respectively. For half year ended, finance costs increased by S\$0.1 million or 17.8% from S\$0.9 million during HY2014 to S\$1.0 million during HY2015.

The increase was mainly attributable to interest expense on increased bank borrowings to cope with the increased business of the Group.

Other Expenses

For quarter ended, other expenses increased by S\$0.2 million or 10.7% from S\$2.3 million during 2Q2014 to S\$2.5 million during 2Q2015. For half year ended, other expenses increased by S\$0.6 million or 14.6% from S\$4.5 million during HY2014 to S\$5.1 million during HY2015.

The increase in other expenses were mainly attributable to:

- a) Increase in hire of motor vehicles and machinery, upkeep of forklift, repair and maintenance costs, utilities, casual labour and professional fees due to the increased business of the Group; and
- b) Increase in property tax relating to leasehold properties at 105 Eunos Avenue 3 and 3 Changi North Street 1 following revision of property tax after redevelopment of the leasehold properties were completed.

8(a) Material factors that affected turnover, costs and earnings (Continued)**Share of Profit from Equity-Accounted Associate**

For 2Q2015, share of profit from associate, Viet Ceramics International Joint Stock Company ("VCI"), amounted to S\$0.6 million (2Q2014: S\$0.4 million). For HY2015, share of profit from associate amounted to S\$0.9 million (HY2014: S\$0.5 million). The increase in share of profit is due to improved financial performance of VCI on the back of a better economic climate in Vietnam. VCI is also reaping rewards from its new outdoor sales department which was formed in February 2013 and targets homeowners, small renovation contractors and architectural firms.

Share of Profit from Equity-Accounted Joint Venture

Share of profit from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S\$16,000 during 2Q2015 (2Q2014: S\$77,000). For HY2015 and HY2014, share of profit from joint venture was S\$0.1 million.

Profit Before Income Tax

For quarter ended, profit before income tax increased by S\$2.0 million or 65.6% from S\$3.1 million during 2Q2014 to S\$5.2 million during 2Q2015. For half year ended, profit before income tax increased by S\$3.4 million or 58.6% from S\$5.7 million during HY2014 to S\$9.1 million during HY2015.

The higher profit before income tax for 2Q2015 and HY2015 was contributed largely by the improved sales during the periods. Excluding the share of profit from associate and joint venture amounting to S\$0.7 million (2Q2014: S\$0.5 million) for quarter ended, profit before income tax generated from recurring activities was S\$4.5 million for 2Q2015 (2Q2014: S\$2.6 million).

For half year ended, excluding the share of profit from associate and joint venture amounting to S\$0.9 million (HY2014: S\$0.6 million), profit before income tax generated from recurring activities was S\$8.1 million for HY2015 (HY2014: S\$5.1 million).

Other Comprehensive Income

This pertains to exchange difference on translating foreign operations.

Income Tax Expense

The effective tax rate (excluding share of profit from equity-accounted associate and joint venture) for 2Q2015 was 14.7% (2Q2014: 17.3%). The effective tax rate for HY2015 was 14.4% (HY2014: 17.6%). The lower effective tax rate was due to reversal of overprovision of income tax in prior year made during 1Q2015.

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

Non-Current Assets

Non-current assets increased by S\$1.7 million or 2.2% from S\$77.0 million as at 30 June 2014 to S\$78.7 million as at 31 December 2014.

Property, plant and equipment increased by S\$0.6 million from S\$67.2 million as at 30 June 2014 to S\$67.9 million as at 31 December 2014. The increase was mainly due to:

- a) Refurbishment of leasehold warehouse at 18C Sungei Kadut Street 4 and Foshan (China) amounting to S\$0.7 million;
- b) Capitalisation of development costs, land rents, property tax and borrowing costs during redevelopment to leasehold property at 18 Sungei Kadut Street 2 by S\$0.5 million;
- c) Plant and equipment amounting to S\$0.4 million;
- d) Motor vehicle amounting to S\$0.4 million; and
- e) Foreign exchange adjustments amounting to S\$0.2 million.

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S\$1.5 million and disposal of motor vehicle amounting to S\$0.1 million.

The increase in other asset amounting to S\$0.2 million pertains to foreign exchange adjustment.

The increase in investment in associate amounting to S\$0.9 million pertains to share of profit from VCI during HY2015.

Current Assets

Current assets increased by S\$12.6 million or 16.4% from S\$77.3 million as at 30 June 2014 to S\$89.9 million as at 31 December 2014.

The increase was mainly attributable to increase in inventories by S\$1.7 million, increase in trade and other receivables by S\$7.2 million, other assets by S\$3.3 million and cash and cash equivalents by S\$0.4 million.

The increase in trade receivables was in line with the revenue growth in HY2015. Trade receivables turnover of 86 days as at 31 December 2014 had improved compared to 93 days as at 30 June 2014.

Increase in other assets was mainly attributable to increase in advance payment to suppliers where there was increase in purchase to cope with the increased business volume.

The increase of inventories was in response to the increase in sales volume during HY2015. Inventory turnover of 201 days as at 31 December 2014 had improved compared to 251 days as at 30 June 2014.

Non-Current Liabilities

Non-current liabilities decreased by S\$1.0 million or 2.7% from S\$37.4 million as at 30 June 2014 to S\$36.4 million as at 31 December 2014.

Other financial liabilities (non-current) decreased by S\$1.0 million due to repayments of bank loans and finance lease liabilities during HY2015.

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

Current Liabilities

Current liabilities increased by S\$12.3 million or 16.1% from S\$76.6 million as at 30 June 2014 to S\$88.9 million as at 31 December 2014.

The increase was mainly attributable to increase in other financial liabilities by S\$9.5 million, trade and other payables by S\$2.2 million, income tax payable by S\$0.4 million and provision by S\$0.2 million.

Total amount of trade payables and trust receipts and bills payable to banks was S\$42.7 million (30 June 2014: S\$31.4 million). The turnover of the aforesaid items (based on cost of sales) of 196 days as at 31 December 2014 (30 June 2014: 215 days).

The increase in other financial liabilities was due to increase in trust receipts and bills payable to banks by S\$11.2 million which was partially offset by repayments of bank loans amounting to S\$1.7 million.

Other Reserves

This pertains to exchange difference on translating foreign operations.

Cash Flows Review

HY2015

Net cash flows from operating activities was S\$0.5 million due to operating cash flows before working capital changes of S\$10.5 million, net cash used in working capital of S\$9.3 million and income taxes paid of S\$0.7 million. The net cash used in working capital of S\$9.3 million was mainly attributable to an increase in inventories of S\$1.7 million, trade and other receivables of S\$7.2 million and other assets of S\$3.3 million. This was partially offset by an increase in trade and other payables of S\$2.6 million, increase in provision of S\$0.2 million and decrease in cash restricted in use of S\$0.1 million.

Net cash flows used in investing activities amounting to S\$1.4 million for HY2015 was mainly attributable to cash outflows of S\$1.7 million for purchase of property, plant and equipment such as refurbishment of leasehold property at 18 Sungei Kadut Street 2. This was partially offset by cash inflow of S\$0.2 million from disposal of motor vehicle, receipt of dividend from joint venture and interest income of S\$0.1 million.

Net cash flows generated from financing activities amounting to S\$1.4 million for HY2015 was attributable to increase in trust receipts and bills payable of S\$8.1 million and proceeds from bank loans of S\$3.0 million. This was partially offset by the following:

- a) Dividend paid of S\$5.8 million;
- b) Repayment of bank loans of S\$2.7 million;
- c) Interest expenses paid of S\$1.0 million; and
- d) Repayment of finance lease liabilities of S\$0.2 million.

As a result of the above, there was a net increase of S\$0.5 million in cash and cash equivalents for HY2015. Cash and cash equivalents as at 31 December 2014 was S\$5.3 million.

2Q2015

Net cash flows used in operating activities was S\$0.2 million due to operating cash flows before working capital changes of S\$5.7 million, net cash used in working capital of S\$5.5 million and income taxes paid of S\$0.4 million. The net cash used in working capital of S\$5.5 million was mainly attributable to an increase in inventories of S\$0.4 million, trade and other receivables of S\$6.4 million, other assets of S\$2.4 million and decrease in other liabilities of S\$0.1 million. This was partially offset by an increase in trade and other payables of S\$3.6 million and an increase in provision of S\$0.2 million.

Net cash flows used in investing activities amounting to S\$0.7 million for 2Q2015 was mainly attributable to cash outflows of S\$0.8 million for purchase of property, plant and equipment such as refurbishment of leasehold property at 18 Sungei Kadut Street 2. This was partially offset by receipt of dividend from joint venture and interest income of S\$0.1 million.

Net cash flows generated from financing activities amounting to S\$0.5 million for 2Q2015 was attributable to increase in trust receipts and bills payable of S\$5.0 million and proceeds from bank loans of S\$3.0 million. This was partially offset by the following:

- a) Dividend paid of S\$5.8 million;
- b) Repayment of bank loans of S\$1.1 million;
- c) Interest expenses paid of S\$0.5 million; and
- d) Repayment of finance lease liabilities of S\$0.1 million.

As a result of the above, there was a net decrease of S\$0.4 million in cash and cash equivalents for 2Q2015. Cash and cash equivalents as at 31 December 2014 was S\$5.3 million.

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

There is no material variance between the information previously disclosed in Paragraph 10 of the results announcement for the quarter ended 30 September 2014 and the actual results for the quarter ended 31 December 2014.

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

The Building and Construction Authority of Singapore projected a construction demand of between \$29 billion to \$36 billion for year 2015, given a sustained pipeline of public sector projects, which include Sengkang General and Community Hospitals, Tampines Town Hub project and the award of various major contracts for the construction of Thomson-East Coast MRT Line as well as land preparation works for the upcoming Changi Airport development. The average construction demand is expected to be between \$27 billion to \$36 billion in 2016.

The Group remains vigilant to market changes and alert to take on any opportunities locally and overseas to grow our business.

11 Dividend

(a) Dividend declared for the current financial period

None.

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

	HY2014
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	429,000
Dividend per share	1.0 cents

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/ recommended for 2Q2015.

13 Interested Person Transactions ("IPTs")

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000)	
	Not conducted under shareholders' mandate pursuant to Rule 920	Conducted under shareholders' mandate pursuant to Rule 920
	HY2015 S\$'000	HY2015 S\$'000
Capitalization of other payables from World Furnishing Hub Pte. Ltd. ("WFHPL"), a subsidiary of the Company, into share capital of WFHPL:-		
- Mr. Low See Ching (Non-Executive Director and substantial shareholder)	211	-
- Mr. Ching Chiat Kwong (substantial shareholder)	278	-
Sales to Oxley Construction Pte. Ltd.	53	69
	<hr/>	<hr/>

No IPT mandate has been renewed in the last Annual General Meeting held on 31 October 2014 or obtained.

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

We, Low Kok Ann and Low See Ching, being Directors of the Company, do thereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements for 2Q2015 and HY2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Low Kok Ann
Executive Chairman and CEO

14 February 2015