



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 Period Ended 30 September 2014 ("1Q2015")

Item No.	Contents	Page No.
1	Statement of Comprehensive Income	2
1	Statement of Financial Position	4
1	Borrowings	5
1	Statement of Cash Flows	6
1	Statement of Changes in Equity	7
1	Details of Changes in Share Capital	8
2 - 3	Audit Statement	9
4 - 5	Changes in Accounting Policies	9
6	Earnings Per Ordinary Share ("EPS")	10
7	Net Asset Value ("NAV")	11
8	Review of Performance	12
9	Variance from Prospect Statement	17
10	Significant Trends and Competitive Conditions	17
11 - 12	Dividend	18
13	Interested Persons Transactions	18
14	Negative Confirmation Pursuant to Rule 705(5)	19

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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		
	Unaudited 1Q2015	Unaudited 1Q2014	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	%
Revenue	27,004	23,452	15.1
<u>Other Items of Income</u>			
Interest Income	16	-	N.M
Other Credits	321	161	N.M
<u>Other Items of Expense</u>			
Changes in Inventories of Finished Goods	1,450	4,261	(66.0)
Purchases and Related Expenses	(17,645)	(18,621)	(5.2)
Employee Benefits Expenses	(3,453)	(3,246)	6.4
Depreciation Expense	(763)	(623)	22.5
Impairment Losses	(170)	(83)	104.8
Other Charges	-	(167)	N.M
Finance Costs	(524)	(417)	25.7
Other Expenses	(2,605)	(2,195)	18.7
Share of Profit from Equity-Accounted Associate	221	68	225.0
Share of Profit from Equity-Accounted Joint Venture	63	18	250.0
Profit Before Tax	3,915	2,608	50.1
Income Tax Expense	(504)	(449)	12.2
Profit, Net of Tax	3,411	2,159	58.0
Other Comprehensive Income:			
Items that may be reclassified subsequently to Profit or Loss:			
Exchange Differences on Translating Foreign Operations, Net of Tax	238	-	N.M
Other Comprehensive Income for the Period, Net of Tax	238	-	N.M
Total Comprehensive Income	3,649	2,159	N.M
Profit, Net of Tax Attributable to:			
- Owners of the Parent	3,220	2,017	59.6
- Non-Controlling Interests	191	142	34.5
	3,411	2,159	58.0
Total Comprehensive Income Attributable to:			
- Owners of the Parent	3,458	2,017	71.4
- Non-Controlling Interests	191	142	34.5
	3,649	2,159	69.0

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 2014

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

	Group		
	Unaudited 1Q2015	Unaudited 1Q2014	Increase/ (Decrease) %
	(3 months) S\$'000	(3 months) S\$'000	
Interest Expense on Borrowings	(524)	(417)	25.7
Interest Income on Borrowing	16	-	N.M
Depreciation Expense	(763)	(623)	22.5
Doubtful Debts Recovered	-	3	N.M
Bad Debts Recovered - Trade Receivables	1	-	N.M
Bad Debts Written Off - Trade Receivables	(3)	-	N.M
Allowance for Impairment of Inventories	(168)	(86)	95.3
Foreign Exchange Adjustment Gains	218	161	35.4
Fair Value Gain/ (Loss) on Derivative Financial Instruments	21	(160)	(113.1)
Adjustment for Over Provision of Tax in respect of Prior Years	167	-	N.M
Gain/ (Loss) on Disposal of Property, Plant and Equipment	18	(7)	(357.1)

Note:

(1) N.M = Not meaningful

(2) 1Q2014 = Financial period of 3 months ended 30 September 2013.

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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 30 September 2014 S\$'000	Audited 30 June 2014 S\$'000	Unaudited 30 September 2014 S\$'000	Audited 30 June 2014 S\$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	67,445	67,239	381	402
Other Asset, Non-Current	4,876	4,771	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in Associate	3,717	3,496	-	-
Investment in Joint Venture	326	278	-	-
Other Financial Asset	1,247	1,247	1,247	1,247
Total Non-Current Assets	77,611	77,031	10,867	10,888
Current Assets:				
Inventories	42,637	41,356	-	-
Trade and Other Receivables	27,603	26,820	30,187	25,839
Other Assets, Current	5,208	4,270	28	13
Cash and Cash Equivalents	5,620	4,857	101	120
Total Current Assets	81,068	77,303	30,316	25,972
Total Assets	158,679	154,334	41,183	36,860
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings	14,235	11,015	5,710	1,393
Other Reserve	238	-	-	-
Equity, Attributable to Owners of the Parent	41,107	37,649	32,344	28,027
Non-Controlling Interests	3,314	2,635	-	-
Total Equity	44,421	40,284	32,344	28,027
Non-Current Liabilities:				
Deferred Tax Liabilities	449	449	-	-
Other Financial Liabilities	36,279	36,941	155	165
Total Non-Current Liabilities	36,728	37,390	155	165
Current Liabilities:				
Provision	372	369	-	-
Income Tax Payable	5,948	5,716	4	5
Trade and Other Payables	13,454	14,944	8,641	8,624
Other Financial Liabilities	56,769	54,701	39	39
Other Liabilities	904	826	-	-
Derivative Financial Instruments	83	104	-	-
Total Current Liabilities	77,530	76,660	8,684	8,668
Total Liabilities	114,258	114,050	8,839	8,833
Total Equity and Liabilities	158,679	154,334	41,183	36,860

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 2014

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 30 September 2014		As at 30 June 2014	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	34,468	-	35,557	-
Trust Receipts and Bills Payable to Banks	22,203	-	19,006	-
Finance Lease Liabilities	98	-	138	-
	56,769	-	54,701	-

Amount repayable after one year

	Group			
	Unaudited		Audited	
	As at 30 September 2014		As at 30 June 2014	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	36,007	-	36,567	-
Finance Lease Liabilities	272	-	374	-
	36,279	-	36,941	-

Details of collaterals relating to the above borrowingsBank 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.

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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	
	Unaudited 1Q2015	Audited 1Q2014
	(3 months) S\$'000	(3 months) S\$'000
Cash Flows From Operating Activities		
Profit Before Income Tax	3,915	2,608
Adjustment for:		
Interest Expense	524	417
Interest Income	(16)	-
Share of Profit from Associate	(221)	(68)
Share of Profit from Joint Venture	(63)	(18)
Depreciation of Property, Plant and Equipment	729	623
Depreciation of Other Asset, Non-Current	34	-
(Gain)/ Loss on Disposal of Property, Plant and Equipment	(18)	7
Fair Value (Gain)/ Loss on Derivative Financial Instruments	(21)	160
Net Effect of Exchange Rate Changes in Consolidating Subsidiary	(50)	160
Operating Cash Flows Before Changes in Working Capital	4,813	3,889
Inventories	(1,281)	(4,174)
Trade and Other Receivables	(796)	(1,451)
Other Assets	(938)	1,998
Cash Restricted in Use	82	-
Provision	3	(35)
Trade and Other Payables	(1,001)	591
Other Liabilities	78	(71)
Net Cash Flows From Operations	960	747
Income Taxes Paid	(272)	(358)
Net Cash Flows From Operating Activities	688	389
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(932)	(1,336)
Proceeds from Disposal of Property, Plant and Equipment	164	-
Dividend Income from Joint Venture	20	-
Interest Received	24	-
Net Cash Flows Used in Investing Activities	(724)	(1,336)
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	-	(6,435)
Increase/ (Decrease) in Trust Receipts and Bills Payable	3,197	(1,971)
Repayment of Finance Lease Liabilities	(142)	(45)
Proceeds From New Bank Loans	-	6,500
Repayment of Bank Loans	(1,649)	(612)
Interest Expense Paid	(525)	(427)
Net Cash Flows From/ (Used in) Financing Activities	881	(2,990)
Net Increase/ (Decrease) in Cash and Cash Equivalents	845	(3,937)
Cash and Cash Equivalents, Beginning Balance	4,775	9,583
Cash and Cash Equivalents, Ending Balance	5,620	5,646

Note: During the period of 1Q2015 and 1Q2014, there was no plant and equipment acquired by means of finance

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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 Reserve 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
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

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
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

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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 1Q2015		Unaudited 1Q2014	
	No. of Shares	S\$'000	No. of Shares	S\$'000
Total number of shares at the beginning of the period	429,000,000	26,634	429,000,000	26,634
Total number of shares at the 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 30 September 2014 and 30 September 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 1Q2015 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 30 September 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 30 September 2014 and there were no sales transfers, disposal, cancellation and/ or use of treasury shares during 1Q2015.

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.

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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	
	Unaudited 1Q2015 (3 months)	Unaudited 1Q2014 (3 months)
Earnings per ordinary share		
(a) Basic	0.75 cents	0.47 cents
Weighted average number of ordinary shares	429,000,000	429,000,000
(b) On a fully diluted basis	0.75 cents	0.47 cents
Weighted average number of ordinary shares	429,000,000	429,000,000

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 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	
	30 September 2014	30 June 2014	30 September 2014	30 June 2014
Net asset value per ordinary share based on the total number of share in issue	9.6 cents	8.8 cents	7.5 cents	6.5 cents

Note:

Net asset value per ordinary share is calculated based on 429,000,000 ordinary shares as at 30 September 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

Revenue increased by S\$3.6 million or 15.1% from S\$23.4 million during 1Q2014 to S\$27.0 million during 1Q2015.

Revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S\$0.3 million or 2.3% from S\$13.0 million during 1Q2014 to S\$13.3 million during 1Q2015.

Revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S\$2.9 million or 28.2% from S\$10.3 million during 1Q2014 to S\$13.3 million during 1Q2015. The Group supplied tiles and building materials for several development projects during 1Q2015, for example Bedok Residences, Hedges Park condominium and euHabitat.

During 1Q2015, the Group also derived other income, majority of which relates to rental income from leasing of excess space commencing during 2Q FY2014 at 105 Eunos Avenue 3 Singapore 409836, of S\$0.3 million.

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 increased by S\$0.1 million from S\$0.2 million during 1Q2014 to S\$0.3 million during 1Q2015.

The increase was mainly due to receipt of government grant under the PIC Bonus Scheme and increase in foreign exchange adjustment gains in 1Q2015.

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.

Cost of sales increased by S\$1.8 million or 12.8% from S\$14.4 million during 1Q2014 to S\$16.2 million during 1Q2015.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income), purchase cost of goods and directly attributable costs) of 39.1% for 1Q2015 was comparable to 38.6% for 1Q2014.

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

Employee Benefits Expenses

Employee benefits expenses increased by S\$0.3 million or 6.4% from S\$3.2 million during 1Q2014 to S\$3.5 million during 1Q2015.

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 30 September 2014, the Group had 247 employees (including directors) (30 September 2013: 246).

Depreciation Expense

Depreciation expense was S\$0.8 million and S\$0.6 million during 1Q2015 and 1Q2014 respectively. Increase in depreciation is mainly due to increase in property, plant and equipment held by the Group during 1Q2015 compared to 1Q2014.

Impairment Losses

Impairment losses increased by S\$0.1 million from S\$83,000 during 1Q2014 to S\$0.2 million during 1Q2015.

The increase was mainly due to increase in allowance for impairment of inventories by S\$0.1 million.

Other Charges

Other charges incurred during 1Q2014 was in relation to net foreign exchange adjustment losses. During 1Q2015, foreign exchange adjustment gains were classified under 'Other Credits'.

Finance Costs

Finance costs increased by S\$0.1 million or 25.7% from S\$0.4 million in 1Q2014 to S\$0.5 million in 1Q2015.

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

Other Expenses

Other expenses increased by S\$0.4 million or 18.7% from S\$2.2 million during 1Q2014 to S\$2.6 million during 1Q2015.

The increase in other expenses were mainly attributable to:

- a) Increase in hire of motor vehicles and machinery, repair and maintenance costs, utilities and professional fees by S\$0.2 million 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 by S\$0.4 million following revision of property tax after redevelopment of the leasehold properties were completed.

The above increases were partially offset by the decrease in inventorised assets and commission expense by S\$0.2 million.

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

Share of Profit from Equity-Accounted Associate

During 1Q2015, share of profit from associate, Viet Ceramics International Joint Stock Company ("VCI"), amounted to S\$0.2 million (1Q2014: S\$68,000). The increase in share of profit is due to improved financial performance of VCI on the back of a better economic climate in Vietnam during 1Q2015 compared to 1Q2014. 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\$63,000 during 1Q2015 (1Q2014: S\$18,000).

Profit Before Income Tax

Profit before income tax increased by S\$1.3 million or 50.1% from S\$2.6 million during 1Q2014 to S\$3.9 million during 1Q2015.

The higher profit before income tax for 1Q2015 was contributed largely by the improved sales during 1Q2015. Excluding the share of profit from associate and joint venture amounting to S\$0.3 million (1Q2014: S\$0.1 million), profit before income tax generated from recurring activities was S\$3.6 million for 1Q2015 and S\$2.5 million for 1Q2014.

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 1Q2015 was 13.9% (1Q2014: 17.8%). The lower effective tax rate for 1Q2015 was due to a reversal of overprovision of income tax in prior year.

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 2014

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

Non-Current Assets

Non-current assets increased by S\$0.6 million or 0.8% from S\$77.0 million as at 30 June 2014 to S\$77.6 million as at 30 September 2014.

Property, plant and equipment increased by S\$0.2 million from S\$67.2 million as at 30 June 2014 to S\$67.5 million as at 30 September 2014. The increase was mainly due to:

- a) Refurbishment of leasehold property at 18C Sungei Kadut Street 4 and Foshan, China amounting to S\$0.4 million;
- b) Capitalisation of land rents, property tax and borrowing costs during redevelopment to leasehold property at 18 Sungei Kadut Street 2 by S\$0.2 million;
- c) Plant and equipment amounting to S\$0.3 million; and
- d) 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\$0.8 million and disposal of motor vehicle amounting to \$0.1 million.

The increase in other asset amounting to S\$0.1 million pertains to foreign exchange adjustment.

The increase in investments in associates amounting to S\$0.2 million pertains to share of profit from VCI during 1Q2015, while the increase in investments in joint venture amounting to S\$63,000 pertains to share of profit from MSPL during 1Q2015.

Current Assets

Current assets increased by S\$3.8 million or 4.9% from S\$77.3 million as at 30 June 2014 to S\$81.1 million as at 30 September 2014.

The increase was mainly attributable to increase in inventories by S\$1.3 million, increase in trade and other receivables by S\$0.8 million, other assets by S\$0.9 million and cash and cash equivalents by S\$0.8 million.

The increase in trade receivables was in line with the revenue growth in 1Q2015. Trade receivables turnover of 85 days as at 30 September 2014 is comparable to 93 days as at 30 June 2014.

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

The increase of inventories was in response to the increase in sales volume during 1Q2015. Inventory turnover of 226 days as at 30 September 2014 is comparable to 251 days as at 30 June 2014.

Non-Current Liabilities

Non-current liabilities decreased by S\$0.7 million or 1.8% from S\$37.4 million as at 30 June 2014 to S\$36.7 million as at 30 September 2014.

Other financial liabilities (non-current) decreased by S\$0.7 million due to repayments of bank loans and finance lease liabilities during 1Q2015.

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

Current Liabilities

Current liabilities increased by S\$0.9 million or 1.1% from S\$76.6 million as at 30 June 2014 to S\$77.5 million as at 30 September 2014.

The increase was mainly attributable to increase in other financial liabilities by S\$2.1 million, other liabilities by S\$0.1 million and income tax payable by S\$0.2 million. The above increase was partially offset by decrease in trade and other payables by S\$1.5 million.

The decrease in trade and other payables was mainly due to the capitalisation of other payables to a Non-Executive Director and a controlling shareholder amounting to S\$0.5 million into share capital of a subsidiary, World Furnishing Hub Pte. Ltd., and decrease in trade and other payables by \$1.0 million.

Total amount of trade payables and trust receipts and bills payable to banks was S\$34.9 million (30 June 2014: S\$31.4 million). The turnover of the aforesaid items (based on cost of sales) of 197 days as at 30 September 2014 is comparable to 215 days as at 30 June 2014.

The increase in other financial liabilities was due to increase in trust receipts and bills payable to banks by S\$3.2 million which was partially offset by repayments of bank loans amounting to S\$1.1 million.

The increase in other liabilities was due to increase in advance payments received from project customers as the Group was involved in more project deliveries during 1Q2015 compared to 1Q2014.

Cash Flows

Net cash flows from operating activities was S\$0.6 million due to operating cash flows before working capital changes of S\$4.8 million, net cash used in working capital of S\$3.9 million, and income taxes paid of S\$0.3 million. The net cash used in working capital of S\$3.9 million was mainly attributable to an increase in inventories of S\$1.3 million, increase in trade and other receivables of S\$0.8 million, increase in other assets of S\$0.9 million, decrease in trade and other payables of S\$1.0 million and partially offset by increase in other liabilities of S\$0.1 million.

Net cash flows used in investing activities amounted to S\$0.7 million for 1Q2015 was mainly attributable to cash outflows of S\$0.9 million for purchase of property, plant and equipment such as refurbishment of leasehold property at 18C Sungei Kadut Street 4. The increase was partially offset by cash inflow of S\$0.2 million from disposal of motor vehicle.

Net cash flows generated from financing activities amounted to S\$0.9 million for 1Q2015 was attributable to increase in trust receipts and bills payable amounting to S\$3.2 million and partially offset by the following:

- a) Repayment of bank loans of S\$1.7 million;
- b) Interest expenses paid of S\$0.5 million; and
- c) Repayment of finance lease liabilities of S\$0.1 million.

As a result of the above, there was net increase of S\$0.8 million in cash and cash equivalents. Cash and cash equivalents as at 30 September 2014 was S\$5.6 million.

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 year ended 30 June 2014 and the actual results for the quarter ended 30 September 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 Group continues to rejuvenate the showroom and inject fresh design to further enhance our market presence. In July 2014, the Group completed a facelift of our Tradehub showroom, which is seeing more customer traffic.

The Group holds a leasehold land at 18 Sungei Kadut Street 2 through subsidiary, World Furnishing Hub Pte. Ltd. ("WFHPL"). Other shareholders of WFHPL include a Non-Executive Director, a controlling shareholder and Catalist-listed Sitra Holdings (International) Limited. Lessor of the leasehold land, Jurong Town Corporation, plans to redevelop part of the Sungei Kadut Industrial Estate into an International Furniture Park ("IFP") and position it as Southeast Asia's international furniture hub for furniture and furniture-related industries. The leasehold land sits on the epicentre of the IFP. The Group plans to redevelop the property which would include commercial space of approximately 50,000 square feet to house amenities that would contribute to the life and vibrancy of the epicentre of IFP. Redevelopment of the property is expected to commence during 2Q2015.

Joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), which specializes in fabrication, polishing and profiling of stone and marble slabs for household and commercial purpose has grown strength to strength since it commenced operations. During 1Q2015, MSPL contributed profit of S\$0.1 million to the Group's results. The Group is engaging in alteration and additions works to further improve MSPL's operational capabilities.

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

	1Q2015
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 cent

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

No dividend was declared during 1Q2014.

(c) Date Payable

To be announced later.

(d) Books closure date

To be announced later.

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

Please refer to 11(a) above.

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
	S\$'000	S\$'000

Not applicable:

Aggregate value of all IPTs during 1Q2015 is less than S\$100,000

- -

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 2014

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 1Q2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Low Kok Ann
Executive Chairman and Chief Executive Officer
6 November 2014

Hafary Holdings Limited
Company Registration No.: 200918637C
105 Eunos Avenue 3, Hafary Centre
Singapore 409836
Tel: (65) 6383 2314
Fax: (65) 6253 4496
Website: www.hafary.com.sg