



合發利控股有限公司

HAFARY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200918637C)

MEDIA RELEASE

HAFARY'S FY2014 REVENUE INCREASES TO S\$92 MILLION

- *Hafary reports creditable profit before tax from recurring activities of S\$9.7 million, comparable to S\$11.0 million achieved in FY2013*
- *Proposes final dividend of 0.3 cent per ordinary share*
- *Continues to broaden and deepen its market foothold locally and in the region through its associates in China and Vietnam*

Singapore, 27 August 2014 – Mainboard-listed **Hafary Holdings Limited** (“Hafary” or “the Group” or “合发利控股有限公司”), a leading supplier of premium tiles, stone, wood flooring and sanitary ware in Singapore, is pleased to announce its unaudited financial results for the financial year ended 30 June 2014 (“FY2014”).

Higher Revenue

The Group’s revenue increased by S\$9.4 million or 11.3% from S\$83.3 million in FY2013 to S\$92.7 million in FY2014. The revenue improvement was driven by an across-the-board increase in sales contributed by its two business segments– **General** (comprising customers who are home-owners as well as architecture, interior design and renovation firms) and

Project (comprising customers who are architecture firms, property developers and construction companies).

Segmental Performance

Revenue from the **General** segment increased by S\$2.7 million or 5.7% from S\$47.7 million during FY2013 to S\$50.4 million in FY2014. The Group's strategy to ramp-up sales and marketing efforts and widen its customer base, coupled with increased customer loyalty, have contributed to the increased revenue for this segment.

Revenue from the **Project** segment increased by S\$5.8 million or 16.5% from S\$35.4 million in FY2013 to S\$41.3 million in FY2014. In FY2014, the Group supplied tiles and building materials for several notable development projects, including Hedges Park @ Flora Drive and Parkland Residences. The increase in project sales is largely driven by the higher volume of deliveries of tiles for use in Housing Development Board ("HDB") residential estate developments under the Build-To-Order Scheme and Home Improvement Programme.

During FY2014, the Group also derived other income, most of which is rental income of S\$0.7 million from leasing of excess space which commenced during the second quarter of FY2014 at 105 Eunos Avenue 3.

Lower Net Profit

Profit before income tax decreased by \$18.3 million or 65.2% from \$28.0 million during FY2013 to S\$9.7 million for FY2014. The high profit before income tax for FY2013 was contributed largely by the recognition of a one-time gain on disposal of development property amounting to \$22.7 million.

Excluding the one-time extraordinary gain, profit or loss arising from associates and joint venture and fair value gain on investment in listed shares, profit before income tax generated from recurring activities would be \$8.7 million for FY2014, compared to the \$11.0 million

reported in FY2013. Accordingly, net profit attributable to owners of the parent decreased from S\$22.3 million in FY2013 to \$8.0 million in FY2014.

Hafary's Executive Chairman, Mr Low Kok Ann, commented, "We are pleased that the Group continued to put up a creditable performance for the year despite the more challenging business environment. Excluding the one-time extraordinary gain in FY2013, we have delivered a creditable performance in FY2014 comparable to that in FY2013. During FY2014, Hafary continued to enhance its market presence by rejuvenating its showroom designs and enlarging the space to meet the increasing needs of its large and diverse base of customers. Apart from shifting our main showroom to our Headquarters building at 105 Eunos Avenue 3, we have doubled the Balestier showroom space and refurbished it to serve our customers better. The Tradehub 21 showroom, which is seeing more customer traffic, also completed its facelift in July 2014."

He added, "Moving forward, the Group will continue to broaden and deepen our foothold in China and Vietnam, as these are markets with high-growth potential. Apart from working on both the domestic and external growth drivers for the Group, we shall remain vigilant to market changes, and will continue to explore opportunities to expand our business through acquisitions, joint ventures or strategic alliances with synergistic partners. "

Final Dividend

In view of its profitable results, the Board of Directors is proposing ***a final dividend of 0.3 cent per ordinary share*** for approval at the upcoming Annual General Meeting. The Group had declared an interim dividend of 1.0 cent per ordinary share in January 2014.

Business Strategies & Growth Prospects

Singapore Market

The Group will continue to strengthen its market position as a leading supplier of building materials for its public project customers. For the year 2014, the HDB's ramped-up building programme shifted to a more sustainable phase with a target supply of 24,300 units of flats

(2013: 25,139 units launched). With the reduction in the number of BTO launches, the Group's Public Project Department would explore the possibilities of delivering building materials for use in other categories of public projects, such as executive condominiums, public facilities and infrastructure, as well as home improvement and other upgrading programmes.

Hafary's joint venture, Melmer Stoneworks Pte Ltd ("MSPL"), which specialises in fabrication, polishing and profiling of stone and marble slabs for household and commercial purposes, has grown from strength to strength. MSPL, in which the Group owns a 50% share, contributed profit of S\$0.2 million to the Group's FY2014 results. The Group is currently engaged in alteration and additions works at 18C Sungei Kadut Street 4, where MSPL operates, to further improve MSPL's operational capabilities.

During FY2014, World Furnishing Hub Pte. Ltd. ("WFHPL"), a special-purpose vehicle incorporated by the Company's wholly-owned subsidiary, Hafary Pte Ltd, two controlling shareholders, and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Sitra Holdings (International) Limited ("Sitra"), successfully secured the extension of our lease on a piece of land at Sungei Kadut Industrial Estate and obtained approval to house amenities in this commercial space. This leasehold land is located at the epicenter of the International Furniture Park, which Jurong Town Corporation has positioned as Southeast Asia's international furniture hub, a global marketplace for furniture and furniture-related industries. The collaboration between the Group and Sitra via World Furnishing Hub Pte Ltd is a synergistic partnership, as both parties can leverage on each other's strengths and business networks to expand their markets and presence, thus adding value to their business operations.

Overseas Investments

Since 2012, the Group has progressively ventured into the region, namely, markets such as Vietnam and People's Republic of China ("PRC"). During FY2014, the Group derived share of profits amounting to S\$0.6 million from associate Viet Ceramics International Joint Stock Company (VCI), a tile retailing company in Vietnam. The improved contribution from VCI is

attributable to the improved economic climate of Vietnam since year 2013 and rewards reaped from its Outdoor Sales Department which was able to tap into the markets of homeowners and small renovation and architectural firms. During FY2014, VCI also strengthened its market presence by opening a second showroom in Hanoi (fourth showroom in Vietnam) to serve the increasing number of middle and high income earners in the province. The main showroom at Ho Chi Minh was also refurbished to display more variety of tiles and mocked up spaces to meet the needs of its general and project customers.

The Company's wholly owned subsidiary, Hafary International Pte Ltd incorporated a wholly owned export agency, Foshan Hafary Trading Co., Limited ("FHT"), in China. FHT, which commenced trading activities in December 2013, is expected to provide opportunities to widen the Group's procurement and business networks, develop the Hafary brand overseas and provide a new revenue stream for the Group.

In May 2014, FHT acquired a leasehold property at Gaoming of Foshan, Guangzhou with the aim of storing certain inventory items, especially tiles to be delivered for use in major property development projects. The Group plans to house its project inventories purchased in China, before delivery to Singapore and other markets, where storage costs are lower so that the scarce warehousing resources in Singapore can be better utilised. The warehouse location is also ideal in view of its proximity to Gaoming Port which facilitates the shipping of inventories to Singapore and other Asian locations within short notice. Also, the Gaoming District Government has plans to relocate Xingang Port, Foshan's busiest port, to the shoreline about 1 kilometre from the warehouse premise. Unutilised space in the warehouse premise will be leased for rental income.

Industry Trends

Singapore's property market sentiment remains soft, reflecting the impact of the Government's series of property cooling measures and Total Debt Servicing Ratio framework introduced by the Monetary Authority of Singapore ("MAS"). The MAS maintained that it is

still early days to tweak any of the cooling measures which have kept a tight rein on the market.

The Singapore Building and Construction Authority has projected construction demand of between S\$31 billion and S\$38 billion for calendar year 2014. Most of the construction demand will come from public sector projects, which include the Thomson MRT Line and some public hospitals.

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