



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 and Dividend Announcement For the First Quarter Ended 31 March 2017 ("1Q2017")

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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 1Q2017	Unaudited 1Q2016	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	%
Revenue	25,273	21,766	16.1
Interest Income	21	18	16.7
Other Gains	659	620	6.3
Changes in Inventories of Finished Goods	(56)	135	N.M.
Purchases and Related Expenses	(14,935)	(13,206)	13.1
Employee Benefits Expenses	(4,363)	(4,256)	2.5
Amortisation and Depreciation Expense	(1,513)	(874)	73.1
Impairment Losses	(327)	(197)	66.0
Other Losses	(611)	(467)	30.8
Finance Costs	(854)	(646)	32.2
Other Expenses	(3,081)	(2,696)	14.3
Share of Profit from an Equity-Accounted Associate	464	204	127.5
Share of Loss from an Equity-Accounted Joint Venture	(167)	(90)	85.6
Profit Before Tax	510	311	64.0
Income Tax Expense	(72)	(42)	71.4
Profit, Net of Tax	438	269	62.8
Other Comprehensive Loss:			
Items that may be reclassified subsequently to Profit or Loss:			
Exchange Differences on Translating Foreign Operations, Net of Tax	(397)	(702)	(43.4)
Other Comprehensive Loss for the Period, Net of Tax	(397)	(702)	(43.4)
Total Comprehensive Income (Loss)	41	(433)	N.M.
Profit, Net of Tax Attributable to:			
- Owners of the Parent	455	188	142.0
- Non-Controlling Interests	(17)	81	N.M.
	438	269	62.8
Total Comprehensive Income (Loss) Attributable to:			
- Owners of the Parent	58	(514)	N.M.
- Non-Controlling Interests	(17)	81	N.M.
	41	(433)	N.M.

Notes:

(1) N.M = Not meaningful.

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

	Group		
	Unaudited 1Q2017	Unaudited 1Q2016	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	%
Interest Expense on Borrowings	(854)	(646)	32.2
Interest Income on Borrowings	21	18	16.7
Amortisation and Depreciation Expense	(1,513)	(874)	73.1
Allowance for Impairment of Trade Receivables	(85)	-	N.M.
Allowance for Impairment of Trade Receivables, Reversal	-	26	N.M.
Bad Debts Recovered - Trade Receivables	4	3	33.3
Bad Debts Written-Off - Trade Receivables	(10)	(15)	(33.3)
Net Allowance for Impairment of Inventories	(236)	(211)	11.8
Foreign Exchange Adjustment Gain	594	437	35.9
Fair Value Losses on Derivative Financial Instruments	(611)	(467)	30.8
Adjustment for Over Provision of Tax in respect of Prior Years	52	5	N.M.
Loss on Disposal of Plant and Equipment	(1)	-	N.M.

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 March 2017 S\$'000	Audited 31 December 2016 S\$'000	Unaudited 31 March 2017 S\$'000	Audited 31 December 2016 S\$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	114,008	114,371	217	234
Other Asset	4,445	4,597	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in Associate	7,530	7,088	-	-
Investment in Joint Venture	105	272	-	-
Investment Property	4,261	4,265	-	-
Other Financial Assets	2,515	2,569	488	488
Total Non-Current Assets	132,864	133,162	9,944	9,961
Current Assets:				
Inventories	50,994	50,876	-	-
Trade and Other Receivables	32,893	33,615	29,357	26,864
Derivative Financial Instruments	-	292	-	-
Other Assets	4,093	4,250	14	4
Other Financial Asset	-	656	-	-
Cash and Cash Equivalents	4,932	4,438	30	30
Total Current Assets	92,912	94,127	29,401	26,898
Total Assets	225,776	227,289	39,345	36,859
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings (Accumulated Losses)	27,659	27,204	2,167	(243)
Other Reserves	(30)	337	264	234
Equity, Attributable to Owners of the Parent	54,263	54,175	29,065	26,625
Non-Controlling Interests	3,535	3,552	-	-
Total Equity	57,798	57,727	29,065	26,625
Non-Current Liabilities:				
Deferred Tax Liabilities	513	509	-	-
Other Financial Liabilities	89,020	90,039	80	88
Total Non-Current Liabilities	89,533	90,548	80	88
Current Liabilities:				
Provision	511	523	-	-
Income Tax Payable	1,635	1,651	1	1
Trade and Other Payables	18,367	22,160	10,166	10,112
Other Financial Liabilities	56,699	53,658	33	33
Other Liabilities	914	1,022	-	-
Derivative Financial Instruments	319	-	-	-
Total Current Liabilities	78,445	79,014	10,200	10,146
Total Liabilities	167,978	169,562	10,280	10,234
Total Equity and Liabilities	225,776	227,289	39,345	36,859

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 March 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	30,778	-	29,399	-
Trust Receipts and Bills Payable to Banks	25,385	-	23,733	-
Finance Lease Liabilities	536	-	526	-
	56,699	-	53,658	-

Amount repayable after one year

	Group			
	Unaudited		Audited	
	As at 31 March 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	88,310	-	89,380	-
Finance Lease Liabilities	710	-	659	-
	89,020	-	90,039	-

Details of collaterals relating to the above borrowings

Bank Loans

These are covered by:

- (a) corporate guarantees given by Hafary Holdings Limited and a subsidiary;
- (b) secured by first legal mortgage over leasehold properties; and
- (c) legal assignment of current and future rental proceeds and insurance proceeds in respect of a leasehold property.

Borrowing drawn down in relation to the acquisition and development of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 by a subsidiary is secured by first legal mortgage over the leasehold property. It is also covered by joint and several corporate guarantees from Hafary Holdings Limited and a subsidiary, personal guarantees from a director and a substantial shareholder.

Borrowings drawn down in relation to acquisition of freehold property at 532 Balestier Road Singapore 329859 by a subsidiary is secured by first legal mortgage over the freehold property. It is also covered by corporate guarantee from Hafary Holdings Limited and personal guarantee from a director.

Trust Receipts and Bills Payable to Banks

These are covered by corporate guarantees given by Hafary Holdings Limited.

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 1Q2017	Unaudited 1Q2016
	(3 months) S\$'000	(3 months) S\$'000
Cash Flows From Operating Activities		
Profit Before Income Tax	510	311
Adjustment for:		
Interest Expense	854	646
Interest Income	(21)	(18)
Share of Profit from Associate	(464)	(204)
Share of Loss from Joint Venture	167	90
Equity-Settled Share-Based Expenses	30	24
Depreciation of Investment Property	4	-
Depreciation of Property, Plant and Equipment	1,476	841
Amortisation of Other Asset	33	33
Loss on Disposal of Property, Plant and Equipment	1	-
Fair Value Loss on Derivative Financial Instruments	611	467
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	(62)	(94)
Operating Cash Flows Before Changes in Working Capital	3,139	2,096
Inventories	(118)	36
Trade and Other Receivables	734	10,170
Other Assets	157	305
Provision	(12)	(100)
Trade and Other Payables	(4,874)	(5,491)
Other Liabilities	(108)	(316)
Net Cash Flows (Used in) From Operations	(1,082)	6,700
Income Taxes Paid	(84)	(219)
Net Cash Flows (Used in) From Operating Activities	(1,166)	6,481
Cash Flows From Investing Activities		
Addition of Property, Plant and Equipment	(398)	(9,875)
Interest Received	10	6
Decrease in Other Financial Assets	656	-
Net Cash Flows From (Used in) Investing Activities	268	(9,869)
Cash Flows From Financing Activities		
Increase (Decrease) in Trust Receipts and Bills Payable	1,652	(7,433)
Net Amount Due to Related Parties	437	560
Repayment of Finance Lease Liabilities	(164)	(72)
Increase from New Borrowings	1,000	10,495
Repayment of Bank Loans	(691)	(2,118)
Interest Expense Paid	(832)	(711)
Net Cash Flows From Financing Activities	1,402	721
Net Increase (Decrease) in Cash and Cash Equivalents	504	(2,667)
Net Effect of Exchange Rate Changes on Cash and Cash Equivalents	(10)	(92)
Cash and Cash Equivalents, Beginning Balance	4,438	8,531
Cash and Cash Equivalents, Ending Balance	4,932	5,772

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 (Note 1) S\$'000	Non- Controlling Interests S\$'000
Current Period (Unaudited):						
Opening Balance at 1 January 2017	57,727	54,175	26,634	27,204	337	3,552
Total Comprehensive Income (Loss) for the Period	41	58	-	455	(397)	(17)
Equity-Settled Share-Based Expenses	30	30	-	-	30	-
Closing Balance at 31 March 2017	57,798	54,263	26,634	27,659	(30)	3,535
Previous Period (Unaudited):						
Opening Balance at 1 January 2016	54,798	50,787	26,634	23,324	829	4,011
Total Comprehensive Income (Loss) for the Period	(433)	(514)	-	188	(702)	81
Equity-Settled Share-Based Expenses	24	24	-	-	24	-
Closing Balance at 31 March 2016	54,389	50,297	26,634	23,512	151	4,092

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.

COMPANY	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Other Reserves (Note 1) S\$'000
Current Period (Unaudited):				
Opening Balance at 1 January 2017	26,625	26,634	(243)	234
Total Comprehensive Income for the Period	2,410	-	2,410	-
Equity-Settled Share-Based Expenses	30	-	-	30
Closing Balance at 31 March 2017	29,065	26,634	2,167	264
Previous Period (Unaudited):				
Opening Balance at 1 January 2016	26,564	26,634	(189)	119
Total Comprehensive Income for the Period	2,336	-	2,336	-
Equity-Settled Share-Based Expenses	24	-	-	24
Closing Balance at 31 March 2016	28,924	26,634	2,147	143

Note 1:

Other Reserves	Group		Company	
	31 March 2017 S\$'000	31 March 2016 S\$'000	31 March 2017 S\$'000	31 March 2016 S\$'000
Foreign Currency Translation Reserve	(294)	8	-	-
Equity-Settled Share-Based Compensation Reserve	264	143	264	143
	(30)	151	264	143

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately financial year.

Total Number of Shares	Company			
	Unaudited 1Q2017		Unaudited 1Q2016	
	No. of Shares	S\$'000	No. of Shares	S\$'000
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 March 2017 and 31 March 2016.

During the period ended 31 March 2017, the number of performance shares granted, vested and cancelled under the Hafary PSP are as follows:

Grant Date	Number of Hafary performance shares				
	As at 1 January 2017	Granted during the period	Vested during the period	cancelled/lapsed during the period	As at 31 March 2017
	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares
1 August 2014	1,300,000	-	-	-	1,300,000
1 March 2016	250,000	-	-	-	250,000
	1,550,000	-	-	-	1,550,000

The above awards of Hafary performance shares will be released subject to terms and conditions of the Hafary PSP being met during the Performance Periods ending 1 July 2017.

- 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 March 2017	Audited 31 December 2016
429,000,000	429,000,000

- 1(d)(iv) Statement showing all sales, transfers, 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 March 2017 and there were no sale transfer, disposal and/ or use of treasury shares during 1Q2017.

- 1(d)(v) Statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There was no subsidiary holdings during the current financial period reported on.

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

The figures have not been audited or 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

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 January 2017. 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 31 December 2016.

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.

As mentioned above, 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.

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

	Group	
	Unaudited 1Q2017 (3 months)	Unaudited 1Q2016 (3 months)
EPS:		
(a) Basic	0.11 cents	0.04 cents
(b) Fully diluted basis	0.11 cents	0.04 cents

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

The dilutive effect derives from performance shares. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each period ended. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the period ended and (2) upon issuance of performance shares which (if any) would have a dilutive effect.

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 March 2017	31 December 2016	31 March 2017	31 December 2016
Net asset value ("NAV") per ordinary share based on the total number of shares issued	12.6 cents	12.6 cents	6.8 cents	6.2 cents

Note:

NAV per ordinary share is calculated based on 429,000,000 ordinary shares in issue as at 31 March 2017 and 31 December 2016.

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 1Q2017, the Group registered a revenue of S\$25.3 million compared to S\$21.8 million during 1Q2016.

General segment

Revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S\$1.6 million or 15.2% from S\$10.4 million during 1Q2016 to S\$12.0 million during 1Q2017.

Project segment

Revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S\$2.0 million or 18.7% from S\$10.8 million during 1Q2016 to S\$12.8 million during 1Q2017.

Interest income

This pertains to a loan of US\$1 million (equivalent to approximately S\$1.4 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their business expansion in Vietnam.

Other Gains

For 1Q2017, other gains comprised mainly of foreign exchange adjustments gains of S\$0.6 million and government grant income, such as those from wages credit scheme and temporary employment credit, amounting to of \$0.1 million.

For 1Q2016, other gains comprised mainly of foreign exchange adjustments gains of S\$0.4 million and government grant income, such as those from wages credit scheme and temporary employment credit, amounting to S\$0.2 million.

Other Losses

Other losses comprised fair value losses on derivative financial instruments. Derivative financial instruments refer to foreign currency forward contracts. 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. Purchase of inventories are mainly denominated in United States Dollars (USD) and Euro. The Group entered into foreign currency forward contracts to hedge currency forward contract rates and forward market rates as at period end date would then be recorded under 'Other Gains' or 'Other Losses'.

Fair value losses on derivative financial instruments increased by S\$0.1 million or 30.6% from S\$0.5 million during 1Q2016 to S\$0.6 million during 1Q2017. The derivative loss of S\$0.6 million during 1Q2017 is due to the foreign currency forward contract rates being unfavourable to the Group compared to forward market rates.

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\$1.9 million or 14.7% from S\$13.1 million during 1Q2016 to S\$15.0 million during 1Q2017.

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 39.3% for 1Q2017 has improved slightly compared to 38.1% for 1Q2016.

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

Employee Benefits Expenses

Employee benefits expenses increased by S\$0.1 million or 2.5% from S\$4.3 million during 1Q2016 to S\$4.4 million during 1Q2017. As at 31 March 2017, the Group had 321 employees (including directors) (31 March 2016: 302).

Depreciation Expense

For 3 months ended, depreciation expense increased by S\$0.6 million or 73.1% from S\$0.9 million during 1Q2016 to S\$1.5 million during 1Q2017. The increase was mainly due to commencement of depreciation of 18 Sungei Kadut Street 2 after development of the premise was completed in August 2016.

Impairment Losses

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

Impairment losses increased by S\$0.1 million or 66.0% from S\$0.2 during 1Q2016 to S\$0.3 million during 1Q2017. The increase in impairment lossess was arising from allowance for impairment of trade receivables. The impairment of trade receivables is assessed based on specific trade receivables.

Finance Costs

For 3 months ended, finance costs increased by S\$0.2 million or 32.0% from S\$0.6 million during 1Q2016 to S\$0.8 million during 1Q2017. The increase in finance costs was mainly due to interest expense on bank borrowings to finance acquisition and construction of World Furnishing Hub after its development was completed in August 2016.

Other Expenses

For 3 months ended, other expenses increased by S\$0.4 million or 14.3% form S\$2.7 million during 1Q2016 to S\$3.1 million during 1Q2017.

The increase in other expenses were mainly attributable to:

- a) Increase in property tax pertaining to leasehold property at 18 Sungai Kadut Street 2. This is due to the revision of property tax for the period from September 2016 to December 2016 after redevelopment of the leasehold property was completed; and
- b) Increase in upkeep of motor vehicle, hire of motor vehicles, rental and casual labour.

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

Share of Profit from an Equity-Accounted Associate

For 1Q2017, share of profit from associate, VCI, amounted to S\$0.5 million (1Q2016: S\$0.2 million). The increase in share of profit is due to improved financial performance of VCI under the backdrop of a better economic climate and increased construction activities in Vietnam.

Share of Loss from an Equity-Accounted Joint Venture

For 1Q2017, share of losses from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S\$0.2 million (1Q2016: S\$0.1 million). Loss reported by MSPL is mainly due to lower level of operations during 1Q2016 and 1Q2017.

Profit Before Income Tax

Profit before income tax increased by S\$0.2 million or 64.6% from S\$0.3 million during 1Q2016 to S\$0.5 million during 1Q2017.

The higher profit before income tax for 1Q2017 was largely driven by the increase in revenue and share of profit from associate. The higher profit before income tax is partially offset by increase in depreciation expense, finance cost and other expenses. Excluding share of profits from associate and joint venture amounting to S\$0.3 million (1Q2016: S\$0.1 million), profit before income tax generated from recurring activities was S\$0.2 million for 1Q2017 (1Q2016: S\$0.2 million).

Other Comprehensive Income

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. Income tax expense was higher in 1Q2017 because of higher taxable profits.

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

Non-Current Assets

Non-current assets decreased by S\$0.3 million or 0.2% from S\$133.2 million as at 31 December 2016 to S\$132.9 million as at 31 March 2017.

Property, plant and equipment decreased by S\$0.4 million or 0.3% from S\$114.4 million as at 31 December 2016 to S\$114.0 million as at 31 March 2017 mainly due to depreciation expense amounting to S\$1.5 million and foreign exchange loss adjustment amounting to S\$0.1 million.

Decrease due to the above factors was partially offset by the addition of property, plant and equipment during the period. These additions include:

- a) Construction cost of leasehold property at 18 Sungei Kadut Street 2 amounting to S\$0.6 million;
- b) Addition of plant and equipment amounting to S\$0.3 million; and
- c) Addition of motor vehicles amounting to S\$0.3 million.

The decrease in other asset (Land use rights relating to leasehold land in Foshan, China) amounting to S\$0.2 million was due to foreign exchange loss adjustment of S\$0.1 million and amortisation expense of S\$0.1 million.

The increase in investment in associate and joint venture amounting to S\$0.3 million pertained to shares of profits of S\$0.3 million from VCI and MSPL during 1Q2017.

Investment property pertains to 532 Balestier Road Singapore 329859.

Other financial assets pertain to the Group's investment in shares of SMJ International Holdings Limited (Listed on SGX Catalist) and a tile wholesale company in China. The decrease of S\$0.1 million from S\$2.6 million as at 31 December 2016 to S\$2.5 million as at 31 March 2017, was due to foreign exchange loss adjustment.

Current Assets

Current assets decreased by S\$1.2 million or 1.3% from S\$94.1 million as at 31 December 2016 to S\$92.9 million as at 31 March 2017.

The decrease was mainly due to decrease in trade and other receivables by S\$0.7 million, other assets by S\$0.1 million, other financial assets by S\$ 0.7 and derivative financial instrument by S\$0.3 million. The above decrease in current assets was partially offset by an increase in cash and cash equivalents amounting to S\$0.5 million and inventories amounting to S\$0.1 million.

Other financial assets pertained to investment in short-term (7 to 14 days) fixed income fund, which is designated as available-for-sales financial assets. As at 31 March 2017, these financial assets were redeemed.

Trade receivables turnover as at 31 March 2017 is 98 days compared to 103 days as at 31 December 2016. Inventory turnover day as at 31 March 2017 is 277 days compared to 285 days as at December 2016.

Non-Current Liabilities

Non-current liabilities decreased by S\$1.0 million or 1.1% from S\$90.5 million as at 31 December 2016 to S\$89.5 million as at 31 March 2017. The decrease is mainly due to monthly repayment of loans.

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

Current Liabilities

Current liabilities decreased by S\$0.6 million or 0.7% from S\$79.0 million as at 31 December 2016 to S\$78.4 million as at 31 March 2017.

The decrease was mainly attributable to decrease in trade and other payables by S\$3.8 million and other liabilities by S\$0.1 million which was partially offset by the increase in other financial liabilities of S\$3.0 million and derivative financial instruments of S\$0.3 million.

Derivative financial instruments are outstanding foreign currency forward contracts as at 31 March 2017. The difference between forward contract rates and the forward market rates were unfavourable to the Group and resulted in a fair value loss. This fair value loss was recorded in profit or loss under other losses and correspondingly recorded as a current liability in statement of financial position.

Total amount of trade payables and trust receipts and bills payable to banks was S\$36.8 million (31 December 2016: S\$38.2 million). The turnover of the aforesaid items (based on cost of sales) is 179 days as at 31 March 2017 compared to 182 days as at 31 December 2016.

The increase in other financial liabilities was mainly due to increase in trust receipts and bills payable to banks by S\$1.7 million and loan drawdown amounting to S\$1.3 million.

The decrease in other liabilities was mainly due to decrease in advance payment received from customers.

Other Reserves

This pertained to foreign exchange difference on translating foreign operations and equity-settled share-based compensation reserve.

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

Cash Flows Review

1Q2017

Net cash flows used in operating activities was S\$1.2 million due to operating cash flows before working capital changes of S\$3.1 million and net cash flows used in working capital of S\$4.3 million. The net cash flows from working capital of S\$4.3 million was mainly attributable to decrease in inventories of S\$0.1 million, decrease in trade and other payables of S\$4.9 million and decrease in other liabilities of S\$0.1 million. This was partially offset by increase in trade and other receivables of S\$0.7 million and increase in other assets of S\$0.1 million. The Company is of the view that with the net current assets of S\$14.5 million as at 31 March 2017 and existing banking facilities, the Group is able to meet its short-term obligations as and when they fall due.

Net cash flows used from investing activities amounting to S\$0.3 million for 1Q2017 was attributable to decrease in investment in other financial assets of S\$ 0.7 million. This was partially offset by cash outflow for purchase of property, plant and equipment of S\$0.4 million.

Net cash flows from financing activities amounting to S\$1.4 million for 1Q2017 was mainly attributable by the increase in trust receipt and bills payable of S\$1.7 million, proceeds from new bank loan of S\$1.0 million and net amount due to related party of S\$0.4 million.

This was partially offset by the followings:

- a) repayment of bank loan and finance lease liabilities of S\$0.9 million; and
- b) repayment of interest expenses paid of S\$0.8 million.

As a result of the above, there was a net increase of S\$0.5 million in cash and cash equivalents for 1Q2017. Cash and cash equivalents as at 31 March 2017 was S\$4.9 million.

9 Where a forecast, or a prospect statement, had been previously disclosed to shareholders, any variance between it and
None.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in

The Building and Construction Authority of Singapore (BCA) projected construction demand of between S\$28 billion and S\$35 billion for 2017, with about 70% contributed by public sector demand. Key projects in 2017 include a steady pipeline of new public housing construction, upgrading works for HDB flats and redevelopment projects.

For 2018 and 2021, BCA expects construction demand to range between S\$26 billion and S\$37 billion each year, with about 65% from public projects and the remaining from private projects.

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

	1Q2017
Name of dividend	Interim Exempt (1-tier)
Type of dividend	Cash
Total number of issued ordinary share ('000)	429,000
Dividend per share	0.5 cent

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

	1Q2016
Name of dividend	Interim Exempt (1-tier)
Type of dividend	Cash
Total number of issued ordinary share ('000)	429,000
Dividend per share	0.5 cent

(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.

Not applicable.

13 Interested Person Transactions ("IPTs")

Name of Interested Persons and Nature of IPTs	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000)	
	Conducted under shareholders' mandate pursuant to Rule 920	Not conducted under shareholders' mandate pursuant to Rule 920
	1Q2017	1Q2017
	S\$'000	S\$'000

Purchases of goods:

MML Marketing Pte Ltd	283	-
Malaysian Mosaics Sdn Bhd	1,810	-

Renewal of general mandate for IPT was obtained from the shareholders of the Company for at the Annual General Meeting held on 11 April 2017.

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 hereby 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 1Q2017 to be false or misleading in any material aspect.

15 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7 of the Listing Manual) under Rule 720 (1) of the Listing Manual.

BY ORDER OF THE BOARD

Low Kok Ann
Executive Director and Chief Executive Officer

11 May 2017