



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 3 Months ("3Q2016") and 9 Months ("9M2016") Ended 30 September 2016

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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			Group		
	Unaudited 3Q2016 (3 months) S\$'000	Unaudited 3Q2015 (3 months) S\$'000	Increase/ (Decrease) %	Unaudited 9M2016 (9 months) S\$'000	Unaudited 9M2015 (9 months) S\$'000	Increase/ (Decrease) %
	Revenue	29,702	30,901	(3.9)	78,921	90,324
Dividend Income	-	-	N.M	12	23	(47.8)
Interest Income	13	19	(31.6)	52	56	(7.1)
Other Gains	367	47	N.M	260	296	(12.2)
Changes in Inventories of Finished Goods	1,638	4,490	(63.5)	2,158	5,122	(57.9)
Purchases and Related Expenses	(19,146)	(23,228)	(17.6)	(49,108)	(60,349)	(18.6)
Employee Benefits Expenses	(4,519)	(4,030)	12.1	(12,944)	(11,713)	10.5
Depreciation Expense	(1,083)	(855)	26.7	(2,861)	(2,498)	14.5
Impairment Losses	(231)	(330)	(30.0)	(459)	(968)	(52.6)
Other Losses	(307)	(782)	(60.7)	(94)	(1,244)	(92.4)
Finance Costs	(670)	(756)	(11.4)	(1,892)	(1,976)	(4.3)
Other Expenses	(2,892)	(2,941)	(1.7)	(8,290)	(7,961)	4.1
Share of Profit from an Equity-Accounted Associate	331	436	(24.1)	951	607	56.7
Share of Profit (Loss) from an Equity-Accounted Joint Venture	13	89	(85.4)	(58)	(15)	286.7
Profit Before Tax	3,216	3,060	5.1	6,648	9,704	(31.5)
Income Tax Expense	(507)	(410)	23.7	(989)	(1,287)	(23.2)
Profit, Net of Tax	2,709	2,650	2.2	5,659	8,417	(32.8)
Other Comprehensive (Loss) Income:						
Items that may be reclassified subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	(9)	303	N.M	(966)	458	N.M
Other Comprehensive (Loss) Income for the Period, Net of	(9)	303	N.M	(966)	458	N.M
Total Comprehensive Income	2,700	2,953	(8.6)	4,693	8,875	(47.1)
Profit, Net of Tax Attributable to:						
- Owners of the Parent	2,740	2,358	16.2	5,873	7,618	(22.9)
- Non-Controlling Interests	(31)	292	N.M	(214)	799	N.M
	2,709	2,650	2.2	5,659	8,417	(32.8)
Total Comprehensive Income Attributable to:						
- Owners of the Parent	2,731	2,661	2.6	4,907	8,076	(39.2)
- Non-Controlling Interests	(31)	292	N.M	(214)	799	N.M
	2,700	2,953	(8.6)	4,693	8,875	(47.1)

Notes:

(1) N.M = Not meaningful.

(2) 9M2015 = Financial period of 9 months ended 30 September 2015.

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For the Period Ended 30 September 2016

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

	Group			Group		
	Unaudited 3Q2016	Unaudited 3Q2015	Increase/ (Decrease)	Unaudited 9M2016	Unaudited 9M2015	Increase/ (Decrease)
	(3 months) S\$'000	(3 months) S\$'000	%	(9 months) S\$'000	(9 months) S\$'000	%
Interest Expense on Borrowings	(670)	(756)	(11.4)	(1,892)	(1,976)	(4.3)
Interest Income on Borrowings	13	19	(31.6)	52	56	(7.1)
Depreciation Expense	(1,083)	(855)	26.7	(2,861)	(2,498)	14.5
Allowance for Impairment of Trade Receivables	(32)	-	N.M	(148)	(393)	(62.3)
Allowance for Impairment of Trade Receivables, Reversal	-	-	N.M	58	4	N.M
Bad Debts Recovered - Trade Receivables	1	-	N.M	39	11	254.5
Bad Debts Written Off - Trade Receivables	(19)	(5)	280.0	(50)	(6)	N.M
Net Allowance for Impairment of Inventories	(181)	(325)	(44.3)	(358)	(584)	(38.7)
Foreign Exchange Adjustment Losses	(304)	(762)	(60.1)	(94)	(1,244)	(92.4)
Fair Value Gains on Derivative Financial Instruments	361	10	N.M	13	120	(89.2)
(Loss) Gains on Disposal of Property, Plant and Equipment	(2)	(21)	(90.5)	6	16	(62.5)
Dividend Income	-	-	N.M	12	23	(47.8)

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-Sep-16 S\$'000	Audited 31-Dec-15 S\$'000	Unaudited 30-Sep-16 S\$'000	Audited 31-Dec-15 S\$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	115,988	97,871	251	301
Other Asset	4,555	4,950	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investment in Associate	6,335	5,384	-	-
Investment in Joint Venture	211	318	-	-
Investment Property	4,279	-	-	-
Other Financial Assets	2,841	2,971	793	793
Total Non-Current Assets	134,209	111,494	10,283	10,333
Current Assets:				
Inventories	48,879	46,979	-	-
Trade and Other Receivables	34,860	43,223	28,793	27,055
Derivative Financial Instruments	57	44	-	-
Other Assets	3,690	3,801	18	10
Cash and Cash Equivalents	4,394	8,531	20	26
Total Current Assets	91,880	102,578	28,831	27,091
Total Assets	226,089	214,072	39,114	37,424
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings (Accumulated Losses)	26,624	23,324	2,192	(189)
Other Reserves	(53)	829	203	119
Equity, Attributable to Owners of the Parent	53,205	50,787	29,029	26,564
Non-Controlling Interests	4,027	4,011	-	-
Total Equity	57,232	54,798	29,029	26,564
Non-Current Liabilities:				
Deferred Tax Liabilities	523	383	-	-
Other Financial Liabilities	89,175	65,868	96	121
Total Non-Current Liabilities	89,698	66,251	96	121
Current Liabilities:				
Provision	549	525	-	-
Income Tax Payable	1,636	3,648	2	4
Trade and Other Payables	21,751	30,182	9,955	10,704
Other Financial Liabilities	54,487	57,773	32	31
Other Liabilities	736	895	-	-
Derivative Financial Instruments	-	-	-	-
Total Current Liabilities	79,159	93,023	9,989	10,739
Total Liabilities	168,857	159,274	10,085	10,860
Total Equity and Liabilities	226,089	214,072	39,114	37,424

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 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	32,912	-	29,067	-
Trust Receipts and Bills Payable to Banks	21,087	-	28,415	-
Finance Lease Liabilities	488	-	291	-
	54,487	-	57,773	-

Amount repayable after one year

	Group			
	Unaudited		Audited	
	As at 30 September 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Bank Loans	88,602	-	65,544	-
Finance Lease Liabilities	573	-	324	-
	89,175	-	65,868	-

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

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 is secured by first legal mortgage over the leasehold property and the proposed development to be erected thereon into a 7-storey building of a subsidiary. 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 is secured by first legal mortgage over the freehold property of a subsidiary. 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.

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For the Period Ended 30 September 2016

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	Unaudited	Unaudited	Unaudited
	3Q2016	3Q2015	9M2016	9M2015
	(3 months)	(3 months)	(9 months)	(9 months)
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows From Operating Activities				
Profit Before Income Tax	3,216	3,060	6,648	9,704
Adjustment for:				
Interest Expense	670	756	1,892	1,976
Interest Income	(13)	(19)	(52)	(56)
Dividend income	-	-	(12)	(23)
Share of Profit from Associate	(331)	(436)	(951)	(607)
Share of (Profit) Loss from Joint Venture	(13)	(89)	58	15
Equity-Settled Share-Based Expense	30	-	84	-
Depreciation of Property, Plant and Equipment	1,050	829	2,760	2,401
Depreciation of Other Asset	33	26	101	97
Loss (Gain) on Disposal of Property, Plant and Equipment	2	21	(6)	(16)
Fair Value Gain on Derivative Financial Instruments	(361)	(10)	(13)	(120)
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	(131)	(128)	(107)	(190)
Operating Cash Flows Before Changes in Working Capital	4,152	4,010	10,402	13,181
Inventories	(1,497)	(4,165)	(1,900)	(4,538)
Trade and Other Receivables	(1,142)	(2,384)	8,399	(9,785)
Other Assets	859	341	111	3,829
Provision	133	(130)	24	(176)
Trade and Other Payables	1,699	1,036	(2,687)	(118)
Other Liabilities	(201)	57	(160)	935
Net Cash Flows From Operations	4,003	(1,235)	14,189	3,328
Income Taxes Paid	(1,061)	45	(2,861)	(587)
Net Cash Flows From (Used in) Operating Activities	2,942	(1,190)	11,328	2,741
Cash Flows From Investing Activities				
Purchase of Property, Plant and Equipment	(9,932)	(16,704)	(28,552)	(18,136)
Purchase of Investment Property	-	-	(4,279)	-
Proceeds from Disposal of Property, Plant and Equipment	-	-	17	335
Dividend Received from Joint Venture	-	45	49	45
Dividend Received	-	-	12	23
Interest Received	-	5	16	61
Investment in Other Financial Assets	-	-	-	(2,162)
Net Cash Flows Used in Investing Activities	(9,932)	(16,654)	(32,737)	(19,834)
Cash Flows From Financing Activities				
Dividends Paid to Equity Owners	-	-	(2,145)	(2,145)
Dividends Paid to Non-Controlling Interests	-	-	(348)	-
Capital Contribution from Non-Controlling Interests	-	-	150	-
Increase (Decrease) in Trust Receipts and Bills Payable	871	5,155	(7,328)	1,983
Net Amount Due to Related Parties	575	-	1,681	-
Repayment of Finance Lease Liabilities	(122)	(55)	(300)	(312)
Increase from New Borrowings	8,245	15,396	31,582	21,583
Repayment of Bank Loans	(679)	(1,792)	(3,933)	(2,843)
Interest Expense Paid	(664)	(630)	(1,976)	(1,808)
Net Cash Flows From Financing Activities	8,226	18,074	17,383	16,458
Net Increase/ (Decrease) in Cash and Cash Equivalents	1,236	230	(4,026)	(635)
Net Effect of Exchange Rate Changes on Cash and Cash Equivalents	20	21	(111)	39
Cash and Cash Equivalents, Beginning Balance	3,138	4,411	8,531	5,258
Cash and Cash Equivalents, Ending Balance	4,394	4,662	4,394	4,662

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 January 2016	54,798	50,787	26,634	23,324	829	4,011
Total Comprehensive (Loss) Income 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
Total Comprehensive Income for the Period	2,426	2,262	-	2,517	(255)	164
Capital contribution by Non Controlling interest	150	-	-	-	-	150
Equity-Settled Share-Based Expenses	30	30	-	-	30	-
Dividends Paid (2)	(2,145)	(2,145)	-	(2,145)	-	-
Dividends Paid to Non-Controlling Interests	(348)	-	-	-	-	(348)
Closing Balance at 30 June 2016	54,502	50,444	26,634	23,884	(74)	4,058
Total Comprehensive Income for the Period	2,700	2,731	-	2,740	(9)	(31)
Equity-Settled Share-Based Expenses	30	30	-	-	30	-
Closing Balance at 30 September 2016	57,232	53,205	26,634	26,624	(53)	4,027
Previous Period (Unaudited):						
Opening Balance at 1 January 2015	43,350	40,059	26,634	12,923	502	3,291
Total Comprehensive Income for the Period	1,673	1,506	-	1,125	381	167
Closing Balance at 31 March 2015	45,023	41,565	26,634	14,048	883	3,458
Total Comprehensive Income for the Period	4,249	3,909	-	4,135	(226)	340
Dividends Paid (2)	(2,145)	(2,145)	-	(2,145)	-	-
Closing Balance at 30 June 2015	47,127	43,329	26,634	16,038	657	3,798
Total Comprehensive Income for the Period	2,953	2,661	-	2,358	303	292
Closing Balance at 30 September 2015	50,080	45,990	26,634	18,396	960	4,090

COMPANY	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Others Reserve S\$'000
Current 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
Total Comprehensive Income for the Period	7	-	7	-
Equity-Settled Share-Based Expenses	30	-	-	30
Dividends Paid (2)	(2,145)	-	(2,145)	-
Closing Balance at 30 June 2016	26,816	26,634	9	173
Total Comprehensive Income for the Period	2,213	-	2,183	30
Closing Balance at 30 September 2016	29,029	26,634	2,192	203
Previous Period (Unaudited):				
Opening Balance at 1 January 2015	26,776	26,634	142	-
Total Comprehensive Income for the Period	2,168	-	2,168	-
Closing Balance at 31 March 2015	28,944	26,634	2,310	-
Total Comprehensive Income for the Period	71	-	71	-
Dividends Paid (2)	(2,145)	-	(2,145)	-
Closing Balance at 30 June 2015	26,870	26,634	236	-
Total Comprehensive Income for the Period	2,151	-	2,151	-
Closing Balance at 30 September 2015	29,021	26,634	2,387	-

Note:

Other Reserves	Group		Company	
	30-Sep-16 S\$'000	30-Sep-15 S\$'000	30-Sep-16 S\$'000	30-Sep-15 S\$'000
Foreign currency translation reserve	(256)	960	-	-
Equity-settled share based compensation reserve	203	-	203	-
	(53)	960	203	-

Dividends on Equity Shares	Unaudited 9M2016 S\$'000	Audited 9M2015 S\$'000
		2,145

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

- 0.5 cent per share on total number of issued ordinary shares of 429,000,000	2,145	2,145
	<u>2,145</u>	<u>2,145</u>

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For the Period Ended 30 September 2016

- 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 3Q2016		Unaudited 3Q2015	
	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 30 September 2016 and 30 September 2015.

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. This grant of Awards and the details was announced via SGXNET on 1 August 2014. The Awards will be released subject to terms and conditions of the Hafary PSP being met during the Performance Period of three years. In 2015, 250,000 of performance shares were cancelled under the plan.

On 1 March 2016, Awards under the Hafary Performance Share Plan ("Hafary PSP") comprising 250,000 ordinary shares were granted to a Group Executive who is not Executive Director or Independent Director. This grant of Awards and the details was announced via SGXNET on 1 March 2016. The Awards will be released subject to terms and conditions of the Hafary PSP being met during the Performance Period of 16 months.

- 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-Sep-16	Audited 31-Dec-2015
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 2016 and there were no sale transfer, disposal, cancellation and/ or use of treasury shares during 3Q2016.

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 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 January 2016. 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 2015.

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.

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For the Period Ended 30 September 2016

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 3Q2016 (3 months)	Unaudited 3Q2015 (3 months)	Unaudited 9M2016 (9 months)	Unaudited 9M2015 (9 months)
Earnings per ordinary share				
(a) Basic	0.64 cents	0.55 cents	1.37 cents	1.78 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	0.64 cents	0.55 cents	1.36 cents	1.78 cents
Weighted average number of ordinary shares	430,550,000	429,000,000	430,494,000	429,000,000

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-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
Net asset value per ordinary share based on the total number of share in issue	12.4 cents	11.8 cents	6.8 cents	6.2 cents

Note:

Net asset value per ordinary share is calculated based on 429,000,000 ordinary shares as at 30 September 2016 and 31 December 2015.

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 3Q2016, the Group registered a revenue of S\$29.7 million compared to S\$30.9 million during 3Q2015. For 9M2016, the Group registered a revenue of S\$78.9 million compared to S\$90.3 million during 9M2016.

General segment

For 3 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S\$2.6 million or 20.2% from S\$12.9 million during 3Q2015 to S\$15.5 million during 3Q2016. For 9 months ended, revenue from general segment decreased by S\$0.4 million or 1.0% from S\$41.0 million during 9M2015 to S\$40.6 million during 9M2016.

Project segment

For 3 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) decreased by S\$3.8 million or 21.8% from S\$17.4 million during 3Q2015 to S\$13.6 million during 3Q2016. For 9 months ended, revenue from general segment decreased by S\$11.0 million or 23.2% from S\$47.4 million during 9M2015 to S\$36.4 million during 9M2016.

Interest Income

Interest income mainly arose from loan to associate, Viet Ceramics International Joint Stock Company ('VCI'), to finance VCI's expansion in Vietnam.

Other Gains

For 3Q2016, other gains comprised mainly of fair value gains on derivative financial instruments of S\$0.4 million. Other gains during 9M2016 mainly comprised of government grant income of S\$0.2 million and compensation received of S\$0.1 million.

Other gains during 3Q2015 comprised of fair value gains on derivative financial instruments of S\$10,000 and other income of S\$37,000. Other gains during 9M2015 mainly comprised of fair value gains on derivative financial instrument of S\$0.1 million and government grant income of S\$0.1 million.

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 3 months ended, cost of sales decreased by S\$1.2 million or 6.6% from S\$18.7 million during 3Q2015 to S\$17.5 million during 3Q2016. For 9 months ended, cost of sales decreased by S\$8.2 million or 15.0% from S\$55.2 million during 9M2015 to S\$47.0 million in 9M2016.

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 39.8% for 3Q2016 (9M2016: 39.1%) has improved compared to 38.1% for 3Q2015 (9M2015: 37.5%).

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

Employee Benefits Expenses

For 3 months ended, employee benefits expenses increased by S\$0.5 million or 12.1% from S\$4.0 million during 3Q2015 to S\$4.5 million during 3Q2016. For 9 months ended, employee benefits expenses increased by S\$1.2 million or 10.5% from S\$11.7 million during 9M2015 to S\$12.9 million during 9M2016.

The increase was mainly due to annual salary increment with effect from July 2016, overtime expenses incurred and increase in headcount to cope with the increased volume of business of the Group.

As at the end of 9M2016, the Group had 318 employees (including directors) (9M2015: 304).

Depreciation Expense

For 3 months ended, depreciation expense increased by S\$0.2 million or 26.7% from S\$0.9 million during 3Q2015 to S\$1.1 million during 3Q2016. For 9 months ended, depreciation expense increased by S\$0.4 million or 10.5% from S\$2.5 million during 9M2015 to S\$2.9 million during 9M2016. The increase was due to Temporary Occupation Permit obtained for building located at 18 Sg Kadut Street 2 and increase in property, plant and equipment held by the Group.

Impairment Losses

For 3 months ended, impairment losses decreased by S\$0.1 million or 30.0% from S\$0.3 million during 3Q2015 to S\$0.2 million during 3Q2016. For 9 months ended, impairment losses decreased by S\$0.5 million or 52.6% from S\$1.0 million during 9M2015 to S\$0.5 million during 9M2016.

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

Other Losses

For 3Q2016 and 9M2016, other losses mainly comprised of foreign exchange loss adjustment.

For 3Q2015 and 9M2015, other losses mainly comprised of foreign exchange loss adjustment.

Finance Costs

For 3 months ended, finance costs decreased by S\$0.1 million or 11.4% from S\$0.8 million during 3Q2015 to S\$0.7 million during 3Q2016. For 9 months ended, finance cost decreased by S\$0.1 million or 4.3% from S\$2.0 million during 9M2015 to S\$1.9 million during 9M2016.

Other Expenses

For 3 months ended, other expenses was S\$2.9 million during 3Q2015 and 3Q2016. For 9 months ended, other expenses increased by S\$0.3 million or 4.1% from S\$8.0 million during 9M2015 to S\$8.3 million during 9M2016.

For 9 month ended, the increase was mainly attributable to an increase in rental expense, travelling expense and entertainment expense. The above increase was partially offset by decrease in professional fee, hire of motor vehicle and machinery and casual labour.

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

Share of Profit from an Equity-Accounted Associate

For 3Q2016, share of profit from associate, VCI, amounted to S\$0.3 million (3Q2015: S\$0.4 million). For 9M2016, share of profit from associate amounted to S\$1.0 million (9M2015: S\$0.6 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.

Share of Profit /(Loss) from an Equity-Accounted Joint Venture

Share of profit from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S\$13,000 during 3Q2016 (3Q2015: S\$89,000). For 9M2016, share of loss from joint venture amounted to S\$58,000 (9M2015: S\$15,000).

Profit Before Income Tax

For 3 months ended, profit before income tax increased by S\$0.1 million or 5.1% from S\$3.1 million during 3Q2015 to S\$3.2 million during 3Q2016. For 9 months ended, profit before income tax decreased by S\$3.1 million or 31.5% from S\$9.7 million during 9M2015 to S\$6.6 million 9M2016.

The higher profit before income tax for 3Q2016 was mainly due to improved in gross profit margin. Excluding share of profits from associate and joint venture amounting to S\$0.3 million (3Q2015: S\$0.5 million), profit before income tax generated from recurring activities was S\$2.9 million for 3Q2016 (3Q2015: S\$2.6 million).

The lower profit before income tax for 9M2016 was largely due to decrease in revenue and increase in employee benefits expenses. Excluding share of profits from associate and joint venture amounting to S\$0.9 million (9M2015: S\$0.6 million), profit before income tax generated from recurring activities was S\$5.7 million for 9M2016 (9M2015: S\$9.1 million).

Other Comprehensive Income

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The effective tax rate (excluding deferred tax, share of results from equity-accounted associate and joint venture) for 3Q2016 was 15.0% (3Q2015: 16.5%). The effective tax rate for 9M2016 and 9M2015 were 14.7% and 15.3% respectively.

8(b) Material factors that affected cash flow, working capital, assets or liabilitiesNon-Current Assets

Non-current assets increased by S\$22.7 million or 20.4% from S\$111.5 million as at 31 December 2015 to S\$134.2 million as at 30 September 2016.

Property, plant and equipment increased by S\$18.1 million from S\$97.9 million as at 31 December 2015 to S\$116.0 million as at 30 September 2016. The increase was mainly due to:

- a) Capitalisation of land rents, construction cost, property tax and borrowing costs during redevelopment to leasehold property at 18 Sungei Kadut Street 2 amounting to S\$19.1 million;
- b) Addition of plant and equipment amounting to S\$1.5 million; and
- c) Addition of motor vehicles amounting to S\$0.7 million.

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S\$2.9 million and foreign exchange loss adjustment amounting to S\$0.3 million.

During the year, a subsidiary, Hafary Balestier Showroom Pte Ltd, was incorporated and purchased a freehold property at 532 Balestier Road, Singapore 329859 for S\$4.3 million (inclusive of stamp duty).

The decrease in other asset (Land use rights relating to leasehold land in Foshan, China) amounting to S\$0.4 million was due to foreign exchange adjustment of S\$0.3 million and amortisation expense of S\$0.1 million.

The increase in investment in associate amounting to S\$1.0 million pertained to share of profits from VCI during 9M2016. The decrease in investment in joint venture amounting to S\$0.1 million pertained to share of loss and dividend received from MSPL.

Other financial assets decreased by S\$0.2 million from S\$3.0 million as at 31 December 2015 to S\$2.8 million as at 30 September 2016. The decrease was due to foreign exchange loss adjustment.

Current Assets

Current assets decreased by S\$10.7 million or 10.4% from S\$102.6 million as at 31 December 2015 to S\$91.9 million as at 30 September 2016.

The decrease was mainly due to decrease in trade and other receivables by S\$8.4 million, decrease in cash and cash equivalents by S\$4.1 million and decrease in other assets by S\$0.1 million. The above decrease in current assets was partially offset by an increase in inventories amounting to S\$1.9 million.

Trade receivables turnover as at 30 September 2016 is 106 days compared to 118 days as at 31 December 2015.

Non-Current Liabilities

Non-current liabilities increased by S\$23.4 million or 35.4% from S\$66.3 million as at 31 December 2015 to S\$89.7 million as at 30 September 2016.

Other financial liabilities (non-current) increased by S\$23.3 million mainly due to proceeds from drawdown of loans pertaining to development of World Furnishing Hub and purchased of shophouse by subsidiaries.

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

Current Liabilities

Current liabilities decreased by S\$13.8 million or 14.9% from S\$93.0 million as at 31 December 2015 to S\$79.2 million as at 30 September 2016.

The decrease was mainly attributable to decrease in other financial liabilities by S\$3.3 million, trade and other payables by S\$8.4 million, income tax payable by S\$2.0 million and other liabilities by S\$0.1 million.

Total amount of trade payables and trust receipts and bills payable to banks was S\$37.2 million (31 December 2015: S\$54.0 million). The turnover of the aforesaid items (based on cost of sales) is 183 days as at 30 September 2016 (31 December 2015: 202 days).

The decrease in other financial liabilities was mainly due to decrease in trust receipts and bills payable to banks by S\$7.3 million and net proceed from loan amounting to S\$3.8 million.

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

9M2016

Net cash flows from operating activities was S\$11.3 million due to operating cash flows before working capital changes of S\$10.4 million and net cash flows from working capital of S\$3.8 million and income taxes paid of S\$2.9 million. The net cash flows from working capital of S\$3.8 million was mainly attributable to a decrease in trade and other receivables of S\$8.4million. This was partially offset by decrease in trade and other payables of S\$2.7 million and an increase in inventories of S\$1.9 million.

Net cash flows used in investing activities amounting to S\$32.7million for 9M2016 was attributable to cash outflows of S\$28.5 million for purchase of property, plant and equipment and S\$4.3 million for purchase of investment property and it is slightly offset by dividend and interest received of S\$0.1million.

Net cash flows from financing activities amounting to S\$17.4 million for 9M2016 was mainly attributable by the proceeds from new bank loans of S\$31.6 million, amount due to related parties of S\$1.7 million and capital contribution from non-controlling interests of S\$0.1 million.

This was partially offset by the followings:

- a) Decrease in trust receipt and bills payables of S\$7.3 million;
- b) Dividend paid to equity owners and non-controlling interests of S\$2.5 million;
- c) Repayment of finance lease liabilities of S\$0.3 million;
- d) Repayment of bank loans of S\$3.9 million; and
- e) Interest expenses paid of S\$2.0 million.

As a result of the above, there was a net decrease of S\$4.0 million in cash and cash equivalents for 9M2016. Cash and cash equivalents as at 30 September 2016 was S\$4.4 million.

3Q2016

Net cash flows from operating activities was S\$2.9 million due to operating cash flows before working capital changes of S\$4.1 million and net cash flows used in working capital of S\$0.1 million and income taxes paid of S\$1.1 million. The net cash flows used in working capital of S\$0.1 million was mainly attributable to an increase in trade and other receivables of S\$1.1 million, increase in inventories of S\$1.5 million and decrease in other liabilities of S\$0.2 million. This was partially offset by a decrease in other assets of S\$0.9 million, increase in trade and other payables of S\$1.7 million and increase in provision of S\$0.1 million.

Net cash flows used in investing activities amounting to S\$9.9 million for 3Q2016 was attributable to cash outflow for purchase of property, plant and equipment.

Net cash flows from financing activities amounting to S\$8.2 million for 3Q2016 was mainly attributable by the proceeds from new bank loans of S\$8.2 million, amount due to related parties of S\$0.6 million and increase in trust receipt and bills payable of S\$0.9 million.

This was partially offset by the followings:

- a) Repayment of finance lease liabilities of S\$0.1 million;
- b) Repayment of bank loans of S\$0.7 million; and
- c) Interest expenses paid of S\$0.7 million.

As a result of the above, there was a net increase of S\$1.2 million in cash and cash equivalents for 3Q2016. Cash and cash equivalents as at 30 September 2016 was S\$4.4 million.

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

None.

- 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 (BCA) projected construction demand of between S\$27 billion and S\$34 billion for year 2016, with about 65% driven by public sector demand. Key projects in year 2016 include the ramp-up in the Home Improvement Programme for Housing Development Board (HDB) flats, the construction of the new National Cancer Centre, State Courts' new building at Havelock Square and remaining contracts for the Thomson-East Coast MRT line. For 2017 to 2020, BCA expects construction demand to range between S\$26 billion and S\$37 billion each year, with 60% from building projects and the remaining from civil engineering 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

	3Q2016
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	429,000
Dividend per share	0.5 cent

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

	3Q2015
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('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.

Please refer to 11(a) above.

13 Interested Person Transactions ("IPTs")

Name of Interested Person and nature of IPT	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
	9M2016 S\$'000	9M2016 S\$'000
Low See Ching (Director and controlling shareholder): Incorporation of Hafary Balestier Showroom Pte Ltd with Hafary Pte Ltd for purpose of purchasing a freehold property.	2,066	-
Purchases of goods:		
MML Marketing Pte Ltd	481	846
Malaysian Mosaics Sdn Bhd	394	1,044

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Extraordinary General Meeting held on 11 April 2016.

HAFARY HOLDINGS LIMITED

For the Period Ended 30 September 2016

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

The Board of Directors of the Company hereby confirm that to the best of their knowledge, nothing has come to their attention which may render the financial statements for 3Q2016 and 9M2016 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) under Rule 720 (1) of the Listing Manual.

BY ORDER OF THE BOARD

Low Kok Ann
Executive Director and Chief Executive Officer

31 October 2016