HAFARY HOLDINGS LIMITED
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Six Months Ended 30 June 2023

	Notes	2023 $'000	2022 $'000	Change %
Revenue	2	104,843	71,273	47.1
Interest income		79	59	33.9
Other income and gains		2,931	3,366	(12.9)
Changes in inventories of goods held for resale		2,082	8,991	(76.8)
Purchases and related costs		(57,929)	(48,051)	20.6
Employee benefits expense		(15,835)	(11,223)	41.1
Depreciation expense		(3,731)	(3,334)	11.9
Depreciation of right-of-use assets		(1,324)	(1,207)	9.7
Impairment losses		(85)	(425)	(80.0)
Other losses		(247)	(2)	N.M.
Finance costs		(4,549)	(1,876)	142.5
Other expenses		(7,463)	(6,104)	22.3
Share of profit from an equity-accounted associate		1,554	1,609	(3.4)
Share of profit from equity-accounted joint ventures		20	100	(80.0)
Profit before income tax		20,346	13,176	54.4
Income tax expense	4	(4,238)	(2,361)	79.5
Profit, net of tax		16,108	10,815	48.9
Other comprehensive loss				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations, net of tax		(844)	(456)	85.1
Total comprehensive income for the year, net of tax		15,264	10,359	47.4
Profit attributable to:				
- Owners of the parent, net of tax		15,764	10,385	51.8
- Non-controlling interests, net of tax		344	430	(20.0)
		16,108	10,815	48.9
Total comprehensive income attributable to:				
- Owners of the parent		14,920	9,929	50.3
- Non-controlling interests		344	430	(20.0)
		15,264	10,359	47.4
		Cents	Cents	
Earnings per share				
Basic and diluted		3.66	2.41	

Additional Information on the Interim Consolidated Statement of Profit or Loss
For The Six Months Ended 30 June 2023

The following significant items of gains / (charges) were included in the statement of profit or loss.

	2023 $'000	2022 $'000	Change %
Rental income	2,508	2,462	1.9
Interest expense on borrowings	(2,902)	(1,665)	74.3
Interest expense on lease liabilities	(1,647)	(211)	680.6
Interest income	79	59	33.9
Depreciation of investment property	(189)	(9)	N.M.
Depreciation of property, plant and equipment	(3,542)	(3,325)	6.5
Depreciation of right-of-use assets	(1,324)	(1,207)	9.7
(Additions) reversal – individually impaired	(92)	148	(162.2)
Reversal (additions) – collectively impaired	25	(59)	(142.4)
Bad debts recovered – trade receivables	15	–	100.0
Net allowance for impairment of inventories	(34)	(514)	(93.4)
Foreign exchange adjustment (loss) gain	(215)	240	(189.6)
Fair value loss on derivative financial instruments, net	(33)	(2)	N.M.
Gain on disposal of plant and equipment	1	2	(50.0)
Government grants	89	343	(74.1)

N.M. – Not Meaningful

Condensed Interim Statements of Financial Positio
As at 30 June 2023

	Notes	Group 30 Jun 2023 $'000	Group 31 Dec 2022 $'000	Company 30 Jun 2023 $'000	Company 31 Dec 2022 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	112,795	104,086	422	473
Right-of-use assets	7	131,396	132,140	–	–
Investment properties	8	21,294	17,390	–	–
Investments in subsidiaries		–	–	9,239	9,239
Investment in an associate	9	21,137	19,423	–	–
Investments in joint ventures	10	1,618	2,832	–	–
Other financial assets		335	335	335	335
Total non-current assets		288,575	276,206	9,996	10,047
Current assets					
Inventories	11	63,173	56,998	–	–
Trade and other receivables	12	59,566	53,296	33,859	35,637
Derivative financial assets		47	81	–	–
Other non-financial assets		7,280	5,443	–	3
Cash and cash equivalents		24,257	11,504	11	30
Total current assets		154,323	127,322	33,870	35,670
Total assets		442,898	403,528	43,866	45,717
EQUITY AND LIABILITIES					
Equity					
Share capital	13	26,930	26,930	26,930	26,930
Retained earnings		76,656	67,350	6,256	7,286
Foreign currency translation reserve	14	(2,553)	(1,709)	–	–
Equity, attributable to owners of the parent		101,033	92,571	33,186	34,216
Non-controlling interests		3,815	3,441	–	–
Total equity		104,848	96,012	33,186	34,216
Non-current liabilities					
Deferred tax liabilities		886	886	–	–
Loans and borrowings, non-current	16, 17	176,630	173,016	–	–
Lease liabilities, non-current	16, 18	13,477	13,383	–	–
Total non-current liabilities		190,993	187,285	–	–
Current liabilities					
Income tax payable		7,966	7,172	6	–
Provision	19	1,161	1,119	–	–
Trade and other payables		38,064	26,654	10,674	11,501
Loans and borrowings, current	16, 17	91,834	76,130	–	–
Lease liabilities, current	16, 18	1,164	1,015	–	–
Other non-financial liabilities		6,868	8,141	–	–
Total current liabilities		147,057	120,231	10,680	11,501
Total liabilities		338,050	307,516	10,680	11,501
Total equity and liabilities		442,898	403,528	43,866	45,717

The accompanying notes form an integral part of these financial statements.

Condensed Interim Statements of Changes in Equity
For The Six Months Ended 30 June 2023

Group:	Total equity $'000	Attributable to parent subtotal $'000	Share capital $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000
Current period:						
Opening balance at 1 January 2023	96,012	92,571	26,930	67,350	(1,709)	3,441
Changes in equity:						
Total comprehensive income (loss) for the period	15,264	14,920	–	15,764	(844)	344
Dividends paid (Note 5)	(6,458)	(6,458)	–	(6,458)	–	–
Dividends paid to non-controlling interests in subsidiaries	(1,141)	–	–	–	–	(1,141)
Consolidation of a subsidiary	1,171	–	–	–	–	1,171
Closing balance at 30 June 2023	104,848	101,033	26,930	76,656	(2,553)	3,815
Previous period:						
Opening balance at 1 January 2022	77,406	75,475	26,930	48,612	(67)	1,931
Changes in equity:						
Total comprehensive income (loss) for the period	10,359	9,929	–	10,385	(456)	430
Dividends paid (Note 5)	(3,229)	(3,229)	–	(3,229)	–	–
Dividends paid to non-controlling interests in subsidiaries	(942)	–	–	–	–	(942)
Acquisition of a non-controlling interest without a change in control	(3,020)	(4,176)	–	(4,176)	–	1,156
Closing balance at 30 June 2022	80,574	77,999	26,930	51,592	(523)	2,575

Condensed Interim Statements of Changes in Equity (cont'd)
For The Six Months Ended 30 June 2023

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current period:			
Opening balance at 1 January 2023	34,216	26,930	7,286
Changes in equity:			
Total comprehensive income for the year	5,428	–	5,428
Dividends paid (Note 5)	(6,458)	–	(6,458)
Closing balance at 30 June 2023	33,186	26,930	6,256
Previous period:			
Opening balance at 1 January 2022	30,461	26,930	3,531
Changes in equity:			
Total comprehensive income for the year	3,275	–	3,275
Dividends paid (Note 5)	(3,229)	–	(3,229)
Closing balance at 30 June 2022	30,507	26,930	3,577

Condensed Interim Consolidated Statement of Cash Flows
For The Six Months Ended 30 June 2023

	2023 $'000	2022 $'000
Cash flows from operating activities		
Profit before income tax	20,346	13,176
Adjustments for:		
Interest expense on borrowings	4,329	1,665
Interest expense on lease liabilities	220	211
Interest income	(79)	(59)
Depreciation of property, plant and equipment	3,542	3,325
Depreciation of right-of-use assets	1,324	1,207
Depreciation of investment properties	189	9
Gain on disposal of plant and equipment	(1)	(2)
Share of profit from an equity-accounted associate	(1,554)	(1,609)
Share of profit from equity-accounted joint ventures	(20)	(100)
Net effect of exchange rate changes in consolidating subsidiaries	(33)	(144)
Operating cash flows before changes in working capital	28,263	17,679
Inventories	(4,900)	(8,477)
Trade and other receivables	(1,241)	(3,537)
Other non-financial assets	(1,561)	282
Provision	42	(29)
Trade and other payables	9,422	1,457
Derivative financial assets / liabilities	34	2
Other non-financial liabilities	(1,406)	(79)
Net cash flows from operations	28,653	7,298
Income taxes paid	(3,709)	(1,304)
Net cash flows from operating activities	24,944	5,994
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(2,525)	(10,506)
Increase in construction in progress	(14,165)	–
Proceeds from disposal of plant and equipment	–	4
Consolidation of a subsidiary net of cash acquired	1,103	–
Deposit paid for property acquisition	–	(713)
Net movements in amount due from an associate	–	1,381
Net movements in amount due from joint ventures	(159)	(16)
Net movements in amount due from other related parties	(1,203)	–
Dividend income from associate	–	702
Dividend income from joint ventures	–	137
Interest income received	39	18
Net cash flows used in investing activities	(16,910)	(8,993)

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Six Months Ended 30 June 2023

	2023 $'000	2022 $'000
Cash flows from financing activities		
Dividends paid to equity owners	(6,458)	(3,229)
Dividends paid to non-controlling interests	(1,141)	(942)
Net movements in amounts due to a director cum a shareholder	–	(576)
Net movements in amounts due to a shareholder	–	(1,108)
Lease liabilities – principal portion paid	(580)	(766)
(Decrease) Increase in trust receipts and bills payable	(2,332)	7,769
Increase from new borrowings	27,258	12,609
Decrease in loans and borrowings	(7,348)	(5,866)
Interest expense paid	(4,643)	(1,724)
Acquisition of a non-controlling interest without a change in control	–	(3,020)
Net cash flows from financing activities	4,756	3,147
Net increase in cash and cash equivalents	12,790	148
Net effect of exchange rate changes on cash and cash equivalents	(37)	25
Cash and cash equivalents, beginning balance	11,504	6,070
Cash and cash equivalents, ending balance	24,257	6,243

Note A: Purchase of property, plant and equipment

During the reporting period, the group acquired property, plant and equipment with an aggregate cost of $12,597,000 (30 June 2022: $11,796,000). This amount includes construction in progress. $9,270,000 (30 June 2022: $7,024,000) additions of property, plant and equipment were financed through bank loan.

Notes to the Financial Statements
30 June 2023

1. General

Hafary Holdings Limited (the "company") is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") and the subsidiaries. The registered office and principal place of business of the company is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836.

The board of directors approved and authorised these condensed interim financial statements for issue on the date of this announcement.

The company is listed on the Main Board of Singapore Exchange Securities Trading Limited.

The principal activities of the group are disclosed in Note 2 on segment information.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. They are also in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the provisions of the SGX Mainboard Listing Rules.

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those of the latest audited annual financial statements. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position the group since the latest audited annual financial statements.

Critical judgements, assumptions and estimation uncertainties

These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates. The nature and the carrying amount of such significant assets and liabilities are disclose with further details in the relevant Notes to these condensed consolidated interim financial statements.

1. General (cont'd)

Critical judgements, assumptions and estimation uncertainties (cont'd)

Assessment of expected credit loss allowance on trade receivables:
The assessment of the expected credit losses ("ECL") requires a degree of estimation and judgement. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Assessment of allowance on inventories:
The assessment of the allowance for impairment loss on inventories requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

Assessing the terms of lease term or lease with extension or renewal options:
The lease liabilities are initially measured by discounting the lease payments over the lease terms. For leases with extension or renewal options, management applied judgement in determining whether such extension or renewal options should be reflected in measuring the lease liabilities. This requires the consideration of whether the facts and circumstances created an economic incentive for the exercise of the lease extension or renewal option. The amount of the lease liabilities at the end of the reporting year is disclosed in note on lease liabilities.

Measurement of impairment of investment in and other receivable from joint venture:
Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

2. Financial information by operating segments

2A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

2. Financial information by operating segments (cont'd)

2A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

For management purposes, the reporting entity is organised into four major strategic operating segments: General, Project, Manufacturing and Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The goods in the General and Project segments comprise ceramic tiles, stone and wood furnishing for residential and commercial properties.

The goods in the Manufacturing segment comprise ceramic tiles manufactured by the plants operating at Kluang in Malaysia. The tiles are distributed to the domestic market as well as the global market.

The segments and the types of products and services are as follows:

- General segment includes retail "walk-in" customers who purchase their requirements from the showrooms or customers (such as architecture, interior design and renovation firms) who make ad-hoc purchases for home renovation or small property development. The quantities purchased are typically small.

- Project segment includes customers who are usually involved in major property development projects, in residential, commercial, public and industrial sectors. Project customers include architecture firms, property developers and construction companies.

- Manufacturing segment includes manufacturing of ceramic tiles that cater to the customers' requirements and specifications. The quantities are generally large orders. The customers include property developers, wholesalers and distributors.

- Others segment relates to investing activities including net rental collected from properties.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before amortisation and depreciation, interests and income taxes ("Recurring EBITDA"); and (2) operating results before income taxes and other unallocated items ("ORBIT").

2. Financial information by operating segments (cont'd)

2B. Profit or loss from continuing operations and reconciliations

The tables below illustrated the information about the reportable segment profit or loss, assets and liabilities.

	General $'000	Project $'000	Manufacturing $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 6 months ended 30 June 2023:						
Total revenue by segment	79,595	48,067	–	3,619	–	131,281
Inter-segment sales	(12,071)	(10,748)	–	(3,619)	–	(26,438)
Total revenue	67,524	37,319	–	–	–	104,843
Recurring EBITDA	22,565	5,822	(2,418)	2,119	288	28,376
Amortisation and depreciation expense	(3,638)	(547)	(8)	(862)	–	(5,055)
Finance costs	(2,540)	(72)	(72)	(1,865)	–	(4,549)
Share of profit from an equity-accounted associate	–	–	–	1,554	–	1,554
Share of profit from equity-accounted joint ventures	–	–	–	20	–	20
ORBIT	16,387	5,203	(2,498)	966	288	20,346
Income tax expense						(4,238)
Profit, net of tax						16,108

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 6 months ended 30 June 2022:					
Total revenue by segment	63,241	35,683	–	–	98,924
Inter-segment sales	(16,623)	(11,028)	–	–	(27,651)
Total revenue	46,618	24,655	–	–	71,273
Recurring EBITDA	13,294	2,411	1,931	248	17,884
Amortisation and depreciation expense	(2,963)	(533)	(1,045)	–	(4,541)
Finance costs	(1,289)	(99)	(488)	–	(1,876)
Share of loss from an equity-accounted associate	–	–	1,609	–	1,609
Share of profit from equity-accounted joint ventures	–	–	100	–	100
ORBIT	9,042	1,779	2,107	248	13,176
Income tax expense					(2,361)
Profit, net of tax					10,815

2. Financial information by operating segments (cont'd)

2C. Assets, liabilities and reconciliations

	General $'000	Project $'000	Manufacturing $'000	Others $'000	Group $'000
As at 30 June 2023:					
Segment assets	296,989	73,774	28,087	44,048	442,898
Segment liabilities	242,880	47,218	23,434	15,666	329,198
Deferred tax liabilities					886
Income tax payable					7,966
Total liabilities					338,050
As at 31 December 2022:					
Segment assets	291,805	72,078	–	39,645	403,528
Segment liabilities	237,848	48,363	–	13,247	299,458
Deferred tax liabilities					886
Income tax payable					7,172
Total liabilities					307,516

2D. Other material items and reconciliations

For 6 months ended 30 June:	General $'000	Project $'000	Manufacturing $'000	Others $'000	Group $'000
Impairment of assets:					
2023	(44)	129	–	–	85
2022	408	17	–	–	425
Expenditure for non-current assets:					
2023	655	103	11,839	4,093	16,690
2022	11,760	36	–	–	11,796

2E. Geographical information

	Revenue 6 months ended 30 June		Non-current assets	
	2023 $'000	2022 $'000	30 Jun 2023 $'000	31 Dec 2022 $'000
Singapore	86,974	69,628	258,447	247,163
People's Republic of China	–	204	8,656	9,285
Socialist Republic of Vietnam	–	–	21,137	19,423
Republic of the Union of Myanmar	64	179	–	–
Republic of Indonesia	36	113	–	–
Cambodia	910	860	–	–
Malaysia	13,459	185	–	–
Maldives	–	46	–	–
Others	3,400	58	–	–
	104,843	71,273	288,240	275,871

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments.

2. Financial information by operating segments (cont'd)

2F. Disaggregation of revenue from contracts with customers

	Revenue 6 months ended 30 June 2023	2022
	$'000	$'000
Goods recognised at point in time	100,479	66,555
Services recognised over time	4,364	4,718
Total continuing operations	104,843	71,273

3. Related party transactions - Group

There are transactions and arrangements between the group and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations, if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	6 months ended 30 June 2023	2022
	$'000	$'000
Associate:		
Interest income	–	(14)
Joint ventures:		
Sale of goods	–	(332)
Rental income	–	(211)
Interest income	(40)	(41)
Purchases of goods	4,607	5,328
Receiving of services	–	714
Directors:		
Sale of goods	–	(1)
Other related parties:		
Sale of goods	(1,056)	(161)
Rental income	(121)	(62)
Miscellaneous income	(27)	(56)
Purchases of goods	14,654	4,052
Rental expenses	321	1
Property management fee	45	22
Secondment fee	514	–
Reimbursement of expenses	420	–

4. Income tax - Group

4A. Components of tax expense recognised in profit or loss include

	6 months ended 30 June	
	2023	2022
	$'000	$'000
Current tax expense:		
Current tax expense	4,238	2,406
Subtotal	4,238	2,406
Deferred tax income:		
Deferred tax income	(3)	(45)
Under adjustments in respect of prior years	3	–
Subtotal	–	(45)
Total income tax expense	4,238	2,361

The reconciliation of income taxes below is determined by using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period:

	6 months ended 30 June	
	2023	2022
	$'000	$'000
Profit before income tax	20,346	13,176
Less:		
- Share of profit from an equity-accounted associate	(1,554)	(1,609)
- Share of profit from equity-accounted joint ventures	(20)	(100)
	18,772	11,467
Income tax expense at 17% (2022: 17%)	3,191	1,949
Effect of different tax rates in different countries	77	11
Expenses not deductible for tax purposes	1,109	523
Tax exemption and rebates	(142)	(122)
Under adjustments in respect of prior years	3	–
Total income tax expense	4,238	2,361
Effective income tax rate for the period	23%	21%

5. Dividends on equity shares

	6 months ended 30 June 2023 $'000	6 months ended 30 June 2022 $'000
Second interim tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2022	3,229	–
Special interim tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2022	3,229	–
Final tax exempt (1-tier) dividends paid of 0.75 cent per share for FY2021	–	3,229
Total dividends paid during the period	6,458	3,229

6. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Construction in progress $'000	Motor vehicles $'000	Total $'000
Cost	115,947	25,001	–	4,121	145,069
Accumulated depreciation	(26,367)	(11,255)	–	(3,361)	(40,983)
Carrying amount at 31 December 2022	89,580	13,746	–	760	104,086
Cost:					
At 1 January 2023	115,947	25,001	–	4,121	145,069
Additions	–	2,323	10,072	202	12,597
Disposals	–	(48)	–	(25)	(73)
Consolidation of a subsidiary	–	947	–	527	1,474
Foreign exchange adjustments	(166)	(91)	(498)	(3)	(758)
At 30 June 2023	115,781	28,132	9,574	4,822	158,309
Accumulated depreciation:					
At 1 January 2023	26,367	11,255	–	3,361	40,983
Depreciation for the period	2,361	1,030	–	151	3,542
Disposals		(47)	–	(26)	(73)
Consolidation of a subsidiary	–	789	–	361	1,150
Foreign exchange adjustments	(58)	(28)	–	(2)	(88)
At 30 June 2023	28,670	12,999	–	3,845	45,514
Carrying amount:					
At 30 June 2023	87,111	15,133	9,574	977	112,795

As at the reporting period ended 30 June 2023, the group's leasehold properties with carrying amount of $83,923,000 (31 December 2022: $86,184,000) are mortgaged for bank facilities (Note 17).

Certain motor vehicles are under lease liabilities (Note 18).

7. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost	146,869	3,961	150,830
Accumulated depreciation	(15,827)	(2,863)	(18,690)
Carrying amount at 31 December 2022	131,042	1,098	132,140
Cost:			
At 1 January 2023	146,869	3,961	150,830
Additions	–	714	714
Foreign exchange adjustments	(150)	(14)	(164)
At 30 June 2023	146,719	4,661	151,380
Accumulated depreciation:			
At 1 January 2023	(15,827)	(2,863)	(18,690)
Depreciation for the period	(1,072)	(252)	(1,324)
Foreign exchange adjustments	37	(7)	30
At 30 June 2023	(16,862)	(3,122)	(19,984)
Carrying amount:			
At 30 June 2023	129,857	1,539	131,396

As at the reporting period ended 30 June 2023, the group's land use rights with carrying amount of $114,189,000 (31 December 2022: $114,853,000) are mortgaged for bank facilities (Note 17). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

Leasehold land
The group has made upfront payments for six parcels of leasehold land in Singapore and People's Republic of China, which are used in the group's warehousing and business operations.

The leases from JTC Corporation are under a non-cancellable operating leases which are from eight to forty-seven years, and amounts payable are subject to annual revision. The variable rent adjustments in the JTC lease would include changes in market rental rates.

Premises
The group leases warehouses and retail shops for the purpose of warehousing and retail operations.

The leases for the group's premises are negotiated for terms of one to three years.

8. Investment properties

Group	Freehold land $'000	Freehold building $'000	Freehold building $'000	Construction in progress $'000	Total $'000
Cost	3,906	370	13,567	–	17,843
Accumulated depreciation	–	(123)	(330)	–	(453)
Carrying amount at 31 December 2022	3,906	247	13,237	–	17,390
Cost:					
At 1 January 2023	3,906	370	13,567	–	17,843
Additions	–	–	–	4,093	4,093
At 30 June 2023	3,906	247	13,567	4,093	21,936
Accumulated depreciation:					
At 1 January 2023	–	123	330	–	453
Depreciation for the period	–	9	180	–	189
At 30 June 2023	–	132	510	–	642
Carrying value:					
At 30 June 2023	3,906	238	13,057	4,093	21,294

	Group 30 Jun 2023 $'000	Group 31 Dec 2022 $'000
Fair value at end of the year for disclosure purposes only	17,850	17,850

	30 Jun 2023 $'000	30 Jun 2022 $'000
Rental income from investment properties	603	60
Direct operating expenses (including repairs and maintenance) arising from investment properties	(246)	(6)

There are no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

The investment properties are mortgaged as security for the bank facilities (Note 17).

9. Investment in an associate

	Group	
	30 Jun 2023 $'000	31 Dec 2022 $'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends received	18,318	16,604
Carrying amount	21,137	19,423
Movements in carrying amount:		
At beginning of the reporting period / year	19,423	17,507
Share of profit for the reporting period / year	1,554	3,679
Dividends	–	(1,059)
Foreign exchange adjustments	160	(704)
At end of the reporting period / year	21,137	19,423

The carrying amount of investment in the associate is denominated in Vietnamese Dong.

The details of the associate are given as below:

Name of associate, country of incorporation, place of operations and principal activities	Equity held by the Group	
	30 Jun 2023 %	31 Dec 2022 %
Viet Ceramics International Joint Stock Company Socialist Republic of Vietnam Importer and dealer of building materials	49	49

10. Investments in joint ventures

	Group	
	30 Jun 2023 $'000	31 Dec 2022 $'000
Unquoted equity shares at cost	3,095	3,195
Share of post-acquisition losses, net of dividends received	(406)	(363)
Consolidation of Melmer Stoneworks Pte. Ltd. due to change in control	(1,071)	–
Carrying amount	1,618	2,832
Movements in carrying amount:		
At beginning of the period / year	2,832	2,805
Share of profits for the period / year	20	362
Consolidation of a subsidiary due to change in control[#]	(1,171)	–
Dividends	–	(137)
Foreign exchange adjustments	(63)	(198)
At end of the period / year	1,618	2,832
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	1,336	1,641

10. Investments in joint ventures (cont'd)

The details of the joint ventures are given as below:

Name of joint ventures, country of incorporation, place of operation and principal activities	Equity held by the Group	
	30 Jun 2023	31 Dec 2022
	%	%
Melmer Stoneworks Pte. Ltd. (#) Singapore Cutting, shaping and finishing of stone	–	50
Guangdong ITA Element Building Materials Co., Limited People's Republic of China Production and distribution of tiles	50	50
Hafary Myanmar Investment Pte. Ltd. Singapore Investment holding	33	33

(#) Prior to 2023, Melmer Stoneworks Pte Ltd ("MSPL") is a joint venture of the Group and the Group owned 50% effective interest in MSPL. On 1 January 2023, without changes in effective interest, the Group has obtained the control over MSPL, as such MSPL is consolidated into the Group with effective from 1 January 2023. Accordingly, no share of profit was accounted since 1 January 2023

The group jointly controls the above joint ventures with other partners under the contractual agreements that require unanimous consent or two thirds of board of directors' consent for all major decisions over the relevant activities.

11. Inventories

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
Goods held for resale	63,173	56,998
Inventories are stated after allowance. Movements in allowance:		
At beginning of the period / year	18,912	18,398
Charged to profit or loss included in impairment losses	34	514
At end of the period / year	18,946	18,912

There are no inventories pledged as security for liabilities.

12. Trade and other receivables

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
Trade receivables:		
Outside parties	46,787	44,783
Less: Allowance for impairment	(1,237)	(2,070)
Joint venture	116	873
Other related parties	326	356
Director	7	7
Retention receivables on contracts	2,927	2,609
Subtotal	48,926	46,558
Other receivables:		
Outside parties	736	523
Joint ventures [#a]	4,201	4,140
Less: Allowance for impairment	(483)	(483)
Other related parties	2,000	–
Refundable deposits	4,186	2,558
Subtotal	10,640	6,738
Total trade and other receivables	59,566	53,296
Movements in above allowance on trade receivables:		
At beginning of the period / year	2,070	2,149
Additions – individually impaired	92	184
(Reversal) additions – collectively impaired	(25)	106
Bad debts written-off	(900)	(369)
At end of the period / year	1,237	2,070
Movements in above allowance on other receivables:		
At beginning of the period / year	483	350
Additions – individually impaired	–	133
At end of the period / year	483	483

[#a] Included in other receivables is a loan to a joint venture amounting to $2,606,000 (31 December 2022: $1,834,000) which is unsecured, bears interest at 4.0% (31 December 2022: 4.0%) per annum and repayable on demand. The remaining balance of the loans to joint ventures are unsecured, interest-free and repayable on demand.

As the group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statement of financial position except for financial guarantee contracts provided to banks.

(i) Concentration of credit risk

There is no significant concentration of credit risk with respect to trade receivables as the exposure is spread over a large number of counter-parties and customers.

12. Trade and other receivables (cont'd)

(ii) Credit risk exposure

The group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk for trade receivables by countries at the end of the reporting period, approximately:

- 98% (31 December 2022: 96%) of the group's trade receivables from Singapore.
- 2% (31 December 2022: 4%) of the group's trade receivables from other countries.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (31 December 2022: 60 days). But some customers take a longer period to settle the amounts.

The allowance which is disclosed in the Note on trade receivables is based on individual accounts totaling $984,000 (31 December 2022: $1,791,000) of the group that are determined to be impaired at the end of the reporting period / year. These are not secured.

<u>Expected credit losses</u>

The expected credit losses ("ECL") on the above trade receivables are based on the simplified approach to measuring ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 12 months to 18 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The loss allowance of $253,000 (31 December 2022: $279,000) for the group is included in the allowance for impairment of receivables amounting to $1,237,000 as at 30 June 2023 (31 December 2022: $2,070,000). There are no collateral held as security and other credit enhancements for the trade receivables held by the group.

The amounts are written-off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

The other receivables at amortised cost shown above are subject to the expected credit losses model under the financial reporting standard on financial instruments. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

13. Share capital

	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 31 December 2022 and 30 June 2023	430,550	26,930

The company's subsidiaries do not hold shares in the company.

There was no movement in the issued and paid-up capital of the company since 31 December 2022.

There were no outstanding convertibles as at 30 June 2023 (30 June 2022: Nil).

The company did not hold any treasury shares as at 30 June 2023 (30 June 2022: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 2023.

14. Foreign currency translation reserve

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the group. This reserve is not available for cash dividends unless realised.

15. Net asset value per share

	Group		Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Net asset value per share based on existing issued share capital as at the respective dates (cents)	23.5	21.5	7.7	7.9

16. Aggregate amount of the group's borrowings and debt securities

	Secured		Unsecured	
	30 Jun 2023 $'000	31 Dec 2022 $'000	30 Jun 2023 $'000	31 Dec 2022 $'000
Repayable in one year or less, or on demand:				
Bank borrowings (Note 17)	66,896	48,861	–	–
Trust receipts and bills payable (Note 17)	24,938	27,269	–	–
Lease liabilities (Note 18)	65	–	1,099	1,015
Subtotal	91,899	76,130	1,099	1,015
Repayable after one year:				
Bank borrowings (Note 17)	176,630	173,016	–	–
Lease liabilities (Note 18)	37	–	13,440	13,383
Subtotal	176,667	173,016	13,440	13,383
Total	268,567	249,146	14,539	14,398

17. Loans and borrowings

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
Non-current:		
With floating interest rates:		
Bank loan P (secured) (Note 17I)	11,548	–
Bank loan U (secured) (Note 17M)	60,600	61,600
Bank loan Y (secured) (Note 17O)	9,077	–
Subtotal	81,225	61,600
With fixed interest rates:		
Bank loan F (secured) (Note 17C)	8,059	8,594
Bank loan H (secured) (Note 17E)	36,747	38,219
Bank loan I (secured) (Note 17F)	6,689	7,297
Bank loan J (secured) (Note 17F)	6,020	6,567
Bank loan K (secured) (Note 17G)	2,062	2,148
Bank loan M (secured) (Note 17H)	773	1,153
Bank loan N (secured) (Note 17H)	685	937
Bank loan O (secured) (Note 17H)	182	244
Bank loan P (secured) (Note 17I)	–	11,664
Bank loan Q (secured) (Note 17H)	796	982
Bank loan R (secured) (Note 17J)	25,341	25,909
Bank loan S (secured) (Note 17K)	1,216	1,455
Bank loan T (secured) (Note 17L)	6,032	6,247
Bank loan W (secured) (Note 17H)	803	–
Subtotal	95,405	111,416
Non-current, total	176,630	173,016
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 17A)	10,000	5,500
Bank loan B (secured) (Note 17A)	8,000	8,000
Bank loan C (secured) (Note 17A)	4,000	3,000
Bank loan D (secured) (Note 17B)	8,500	9,000
Bank loan E (secured) (Note 17B)	3,500	2,000
Bank loan G (secured) (Note 17D)	4,500	4,500
Bank loan L (secured) (Note 17A)	5,500	5,500
Bank loan P (secured) (Note 17I)	441	–
Bank loan U (secured) (Note 17M)	1,000	–
Bank loan V (secured) (Note 17N)	6,000	500
Bank loan X (secured) (Note 17N)	4,346	–
Bank loan Y (secured) (Note 17O)	193	–
Trust receipts and bills payable (Note 17P)	24,938	27,269
Subtotal	80,918	65,269

17. Loans and borrowings (cont'd)

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
With fixed interest rates:		
Bank loan F (secured) (Note 17C)	1,066	1,066
Bank loan H (secured) (Note 17E)	2,945	2,945
Bank loan I (secured) (Note 17F)	1,216	1,216
Bank loan J (secured) (Note 17F)	1,095	1,095
Bank loan K (secured) (Note 17G)	172	172
Bank loan M (secured) (Note 17H)	757	750
Bank loan N (secured) (Note 17H)	501	497
Bank loan O (secured) (Note 17H)	125	124
Bank loan P (secured) (Note 17I)	–	596
Bank loan Q (secured) (Note 17H)	371	367
Bank loan R (secured) (Note 17J)	1,135	1,135
Bank loan S (secured) (Note 17K)	476	472
Bank loan T (secured) (Note 17L)	429	426
Bank loan W (secured) (Note 17H)	628	–
Subtotal	10,916	12,176
Current, total	91,834	76,130
Total	268,464	249,146
The non-current portion is repayable as follows:		
Due within two to five years	112,668	105,594
After five years	63,962	67,422
Total non-current portion	176,630	173,016

The ranges of fixed interest rates per annum paid were as follows:

	Group	
	30 Jun 2023	31 Dec 2022
	%	%
Bank loan F (secured)	1.58	1.58 and 1.95
Bank loan H (secured)	1.55	1.55 and 2.25
Bank loan I (secured)	1.58	1.58 and 1.95
Bank loan J (secured)	1.58	1.58 and 1.95
Bank loan K (secured)	1.58	1.58 and 2.08
Bank loan M (secured)	2.00	2.00
Bank loan N (secured)	2.00	2.00
Bank loan O (secured)	2.00	2.00
Bank loan P (secured)	–	1.30
Bank loan Q (secured)	2.00	2.00
Bank loan R (secured)	1.50	1.50
Bank loan S (secured)	1.30	1.30
Bank loan T (secured)	1.50	1.50
Bank loan W (secured)	2.00	–

17. Loans and borrowings (cont'd)

The ranges of floating interest rates per annum paid were as follows:

	Group	
	30 Jun 2023	31 Dec 2022
	%	%
Bank loan A (secured)	4.33 to 5.15	1.60 to 4.33
Bank loan B (secured)	4.69 to 5.07	1.60 to 4.33
Bank loan C (secured)	5.16 to 5.80	1.86 to 5.66
Bank loan D (secured)	4.82 to 5.69	1.87 to 5.59
Bank loan E (secured)	5.20 to 5.55	1.80 to 5.55
Bank loan G (secured)	4.69 to 5.07	1.60 to 4.33
Bank loan L (secured)	4.94 to 5.94	1.81 to 5.76
Bank loan P (secured)	1.30 to 4.60	–
Bank loan U (secured)	3.58 to 4.72	3.58 to 4.24
Bank loan V (secured)	3.83 to 5.07	3.83 to 4.49
Bank loan X (secured)	3.41 to 3.64	–
Bank loan Y (secured)	5.10	–
Trust receipts and bills payable	1.20 to 5.95	1.00 to 5.34

17A. Bank loans A, B, C and L (secured)

The agreements for the bank loans provide among other matters for the following:

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

17B. Bank loans D and E (secured)

The agreements for the bank loans provide among other matters for the following:

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Corporate guarantee from the company.
(iii) Need to comply with certain financial covenants.

17C. Bank loan F (secured)

These relate to two loan facilities. The agreements for the bank loans provide among other matters for the following:

(i) Repayable by equal monthly instalments over 20 years from November 2011 and July 2013 respectively.
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

17. Loans and borrowings (cont'd)

17D. Bank loan G (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months), subject to yearly reduction of $750,000 over 8 years until the limit is reduced to $4,000,000.
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

17E. Bank loan H (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by over 3 years fixed principal instalment of $125,000 each and remaining by equal monthly instalments over 12 years commencing from May 2017.
(ii) Legal mortgage on a leasehold property (Note 6) and leasehold land (Note 7).
(iii) Legal assignment of insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreement in respect of the leasehold property.
(iv) Joint and several corporate guarantees from the company and a subsidiary.
(v) Personal guarantee from a director cum a shareholder.
(vi) Need to comply with certain financial covenants.

17F. Bank loans I and J (secured)

The agreements for the bank loans provide among other matters for the following:

(i) Repayable by equal monthly instalments over 14 years from January 2016.
(ii) Legal mortgage on certain leasehold properties (Note 6) and leasehold land (Note 7).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

17G. Bank loan K (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 20 years from July 2016.
(ii) Legal mortgage on an investment property (Note 8).
(iii) Assignment of rental proceeds.
(iv) Corporate guarantee from the company.
(v) Personal guarantee from a director.
(vi) Need to comply with certain financial covenants.

17H. Bank loans M, N, O, Q and W (secured)

The agreements for the bank loans provide among other matters for the following:

(i) The loans were drawn under the Enterprise Financing Scheme and repayable by monthly instalments over 5 years from the draw down date.
(ii) The loans have an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Corporate guarantee from the company.

17. Loans and borrowings (cont'd)

17I. Bank loan P (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 20 years.
(ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a leasehold property (Note 6).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

17J. Bank loan R (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 25 years.
(ii) The loan has an interest servicing period for the first 6 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a leasehold property (Note 6).
(iv) Corporate guarantee from a subsidiary.
(v) Need to comply with certain financial covenants.

17K. Bank loan S (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 5 years.
(ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a leasehold property (Note 8).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

17L. Bank loan T (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 5 years.
(ii) Legal mortgage on a leasehold property (Note 8).
(iii) Corporate guarantee from a subsidiary.
(iv) Need to comply with certain financial covenants.

17. Loans and borrowings (cont'd)

17M. Bank loan U (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 5 years, commencing March 2024.
(ii) The loan has an interest servicing period for the first 15 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Legal mortgage on a mix of leasehold property (Note 6), leasehold land (Note 7) and investment property (Note 8).
(iv) Corporate guarantee from the company and a subsidiary.
(v) Need to comply with certain financial covenants.

17N. Bank loan V and X (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by one lump sum within 6 months (unless rolled over for another interest period of up to 6 months).
(ii) Corporate guarantee from the company.

17O. Bank loan Y (secured)

The agreement for the bank loan provides among other matters for the following:

(i) Repayable by equal monthly instalments over 5 years, commencing June 2024.
(ii) The loan has an interest servicing period for the first 12 months from draw down date and upon the expiry of the interest servicing period, payments comprising principal and interest will be made monthly to the expiry of the remaining tenor.
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

17P. Trust receipts and bills payable

These are repayable within 150 to 180 days (31 December 2022: 150 to 180 days) and are guaranteed by the company.

18. Lease liabilities

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
Lease liabilities, current	1,164	1,015
Lease liabilities, non-current	13,477	13,383
Total	14,641	14,398

Movements of lease liabilities for the reporting period / year are as follows:

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
Total lease liabilities at beginning of reporting period / year	14,398	13,417
Additions	1,486	2,158
Accretion of interest	211	421
Lease payments – principal portion paid	(580)	(1,596)
Interest paid	(874)	(2)
Total lease liabilities at end of reporting period / year	14,641	14,398

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets.

Certain leases are secured by the lessors' charge over the leased assets as follows:

	Group	
	30 Jun 2023	31 Dec 2022
	$'000	$'000
Carrying amounts of motor vehicles under lease liabilities	70	–

Total cash outflows from leases are shown in the consolidated statement of cash flows. The related right-of-use assets are disclosed in Note 7.

During the reporting period, expense of the group relating to short-term leases included in other expenses was $334,000 (30 June 2022: $452,000).

19. Provision

	Group	
	30 Jun 2023 $'000	31 Dec 2022 $'000
Provision for rebates	1,161	1,119
Movements in above provision:		
Balance at beginning of the period / year	1,119	924
Additions	1,161	1,119
Used	(1,119)	(924)
Balance at end of the period / year	1,161	1,119

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (31 December 2022: 60 days).

20. Capital commitments

Estimated amounts committed at the end of the reporting period / year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	30 Jun 2023 $'000	31 Dec 2022 $'000
Commitments to purchase plant and equipment	150	78
Contractual obligations for construction works	8,091	10,154
Total	8,241	10,232

21. Categories of financial assets and liabilities

The following table categorises the carrying amounts of financial assets and liabilities recorded at the end of the reporting period / year:

	Group	
	30 Jun 2023 $'000	31 Dec 2022 $'000
Financial assets:		
Financial assets at amortised cost	83,823	64,800
Financial assets at fair value through profit or loss	335	335
Derivatives financial instruments at fair value	47	81
	84,205	65,126
Financial liabilities:		
Financial liabilities at amortised cost	321,169	290,198
	321,169	290,198

22. Changes and adoption of financial reporting standards

The same accounting policies and methods of computations used in the latest audited annual financial statements have been applied.

Other Information Required by Listing Rule Appendix 7.2
30 June 2023

1. Review

The condensed interim consolidated statements of financial position of Hafary Holdings Limited (the “company”) and its subsidiaries (the “group”) as at 30 June 2023 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the reporting period then ended and certain explanatory notes have not been audited or reviewed.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business

Revenue

For HY2023 the group registered a revenue of S$104.8 million compared to S$71.3 million during HY2022.

The revenue consists of below segments:

<u>General segment</u>
For 6 months ended, revenue from the general segment (where customers include home owners, architecture, interior design and renovation firms) increased by S$20.9 million or 44.8% from S$46.6 million during HY2022 to S$67.5 million during HY2023. The increase in revenue was supported by active resale market, robust demand from home buyers who prefer the certainty of getting their flats in the resale market and avoid the construction delays for Build-To-Order flats, caused by manpower shortages and supply chain disruption.

<u>Project segment</u>
For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$12.6 million or 51.4% from S$24.7 million during HY2022 to S$37.3 million during HY2023. The increase in revenue was mainly due to the construction activity picked up during the period, supported in part by the relaxation of border restriction on the inflow of migrant workers.

Interest Income

For HY2023, interest income mainly derived from a loan of US$1.2 million (equivalent to approximately S$1.8 million) to a joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"), to support their business expansion in China.

For HY2022, interest income mainly derived from a loan of US$1.5 million (equivalent to approximately S$2.1 million) to a joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"), to support their business expansion in China.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Other income and gains

For HY2023, the other income and gains decreased by S$0.5 million or 12.9% from S$3.4 million during HY2022 to S$2.9 million during HY2023. The other income and gains primarily consisted of rental income of S$2.5 million, sales of solar energy of S$0.2 million and government grants of S$0.1 million. There are various relief measures and support from the Singapore government, including foreign worker levy rebate and job growth incentives. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

For HY2022, the other income and gains mainly comprised of rental income of S$2.5 million, sales of solar energy of S$0.2 million, foreign exchange adjustments gains of S$0.2 million and government grants of S$0.4 million. There are various relief measures and support from the Singapore government, including foreign worker levy rebate and job growth incentives. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

The decreased in other income and gains mainly contributed by the decrease government grant income of S$0.3 million. These figures were partially offset by the slight increase in rental income and sales of solar energy.

Purchase of inventories are mainly denominated in United States Dollar ("USD"), Euro and Renminbi ("RMB"). The group entered into foreign currency forward contracts to hedge against fluctuations of exchange rates in USD, Euro and RMB. 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. The difference between foreign currency forward contract rates and forward market rates as at period end date would then be recorded as fair value gain / (loss) on derivative financial instruments under 'Other Gains' or 'Other Losses'.

Other Losses

For HY2023, other losses mainly comprised of foreign exchange adjustments losses, mainly arising from the incorporation of a subsidiary in Malaysia.

Cost of Sales

Cost of sales is computed based on purchases and related costs net of changes in inventories of goods held for resale for the respective financial period.

For 6 months ended, cost of sales increased by S$16.7 million or 43.0% from S$39.1 million during HY2022 to S$55.8 million during HY2023. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income) and cost of sales, without taking into account labour costs and overheads) of 46.7% for HY2023 has slightly increased as compared to 45.2% for HY2022.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Employee Benefits Expense

For 6 months ended, employee benefits expenses increased by S$4.6 million or 41.1% from S$11.2 million during HY2022 to S$15.8 million during HY2023. The substantial increase is mainly contributed from the following factors:
- additional headcount for the newly incorporated subsidiaries.
- accruals of bonus were revised up to align with the improved business performance during the period.
- staff commission increased due to higher sales collection compared to HY2022.

As at 30 June 2023, the group had 662 employees (including directors) (31 December 2022: 347).

Amortisation and Depreciation Expense

For 6 months ended, amortisation and depreciation expenses increased by S$0.5 million or 11.1% from S$4.5 million during HY2022 to S$5.0 million during HY2023. The increase is mainly due to increase in depreciation charge on new additions during the period.

Impairment Losses

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

The assessment of the allowance for impairment of inventories requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Of these inventories, substantial impairment allowance has been made for slow-moving inventories. The impairment allowance for slow-moving inventories is based on the age of these inventories, the prevailing market demand of the inventory category and the deterioration of the products based on past experience.

In respect of the impairment of trade receivables, the management assesses the collectability of trade receivables regularly, considering various factors such as the financial status of the group's customers and the aging of trade debts. Impairment on specific trade receivables would be made if the chance of recovery is very low. Other than that, the expected credit losses ("ECL") model is also applied to determine the loss allowance for trade receivables based on historically observed default rates adjusted for forward-looking estimates. The assessment of the allowance for ECL requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the ECL, the management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, the increase in the number of delayed receipts in the portfolio that passed the average credit period, and forward looking information such as forecasts of future economic conditions.

For 6 months ended, the impairment losses mainly comprise the allowance of trade receivables of S$0.1 million. The impairment losses decreased by S$0.3 million or 80.0% from S$0.4 million during HY2022 to S$85,000 during HY2023. The decrease mainly due to the decrease in allowance for impairment of inventories.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Finance Costs

For 6 months ended, finance costs increased by S$2.7 million or 142.5% from S$1.9 million during HY2022 to S$4.6 million during HY2023. The increase mainly due to additional term loan interest incurred on the newly acquired properties which partially funded by term loans.

Other Expenses

For 6 months ended, other expenses increased by S$1.4 million or 22.3% from S$6.1 million during HY2022 to S$7.5 million during HY2023. The increase is mainly due to the new business operations in Malaysia which contribute a total of S$0.9 million to the Group other expenditures. The other substantial increase mainly due to the increase in:

- hire of motor vehicles of S$0.1 million, mainly driven by the need to fulfil the growing demand for goods delivery to customer sites, so as to enhance company's proactive response to cater customer needs;
- property tax expense of S$0.1 million, mainly due to the newly acquired properties during the period;
- upkeep of motor vehicles of S$0.2 million, mainly due to rising diesel prices and a higher demand for goods delivery to customer sites, which resulted in higher fuel consumption costs;
- entertainment and refreshment of $0.4 million is driven by the company's strategic to foster and maintain strong customer relationships to create opportunities for networking, building trust and securing future businesses;
- advertisement and promotion expenses of S$0.1 million, mainly incurred to build a strong brand image and make itself a recognised and preferred choice among consumers;

Share of Profit (Loss) from an Equity-Accounted Associate

For 6 months ended, share of profit from associate amounted to S$1.6 million (HY2022: share of profit of S$1.6 million).

Share of Profits from Equity-Accounted Joint Ventures

For 6 months ended, share of profits from joint ventures amounted to S$20,000 (HY2022: share of profits of S$0.1 million). The decrease in joint venture profits was mainly affected by the business performance of a joint venture in China during the period.

Profit Before Income Tax

For 6 months ended, the group has generate'd a profit before tax of S$20.3 million as compared to a profit before tax of S$13.2 million in HY2022.

For 6 months ended, excluding share of profit from associate and share of profits from joint ventures amounting to S$1.6 million for HY2023 (HY2022: S$1.7 million), profit before income tax incurred from recurring activities was S$18.7 million for HY2023 (HY2022: S$11.5 million).

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Other Comprehensive Income (Loss)

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. For 6 months ended, income tax expense amounted to S$4.2 million (HY2022: S$2.4 million). The increase in income tax expense was due to higher taxable profit during the period.

Non-Current Assets

Non-current assets increased by S$12.4 million or 4.8% from S$276.2 million as at 31 December 2022 to S$288.6 million as at 30 June 2023.

Property, plant and equipment increased by S$8.7 million or 8.4% from S$104.1 million as at 31 December 2022 to S$112.8 million as at 30 June 2023. The increase was mainly due to addition of property, plant and equipment amounting to S$12.6 million during HY2023. The increase is partially offset by the depreciation expense amounting to S$3.5 million and foreign exchange adjustments of S$0.6 million during the period. The consolidation of MSPL has also contributed a total of S$0.3 million to the total property, plant and equipment during HY2023.

The increase was mainly due to:

a) Purchased plant and equipment amounting to S$2.3 million;
b) Purchase of motor vehicles amounting to S$0.2 million; and
c) Construction in progress, including the developing property work at 161 Lavender Street amounting to S$10.1 million.

The right-of-use assets comprised of leasehold lands (land use rights relating to group's leasehold properties in Singapore and China) and leases of premises. Right-of-use assets decreased by S$0.7 million or 0.6% from S$132.1 million as at 31 December 2022 to S$131.4 million as at 30 June 2023. The decrease was due to the capitalisation of right-of-use assets in relation to the leases of S$0.7 million during the period and partially offset by depreciation of S$1.3 million and foreign exchange adjustments losses of S$0.1 million.

Investment properties increased by S$3.9 million or 22.4% from S$17.4 million as at 31 December 2022 to S$21.3 million as at 30 June 2023. The increase was mainly due to capitalising the construction in progress costs in 161 Lavender Street by S$4.1 million during HY2023 and partially offset by the depreciation expense amounting to S$0.2 million.

The carrying value of investment properties comprised of:

a) 161 Lavender Street Singapore 338750 amounting to S$13.5 million;
b) 532 Balestier Road Singapore 329859 amounting to S$4.1 million; and
c) 51 Middle Road Singapore 188959 amounting to S$3.6 million.

Investment in associate increased by S$1.7 million or 8.8% from S$19.4 million as at 31 December 2022 to S$21.1 million as at 30 June 2023. The increase was mainly due to share of profit amounting to S$1.6 million from VCI and the exchange differences on translating associate with foreign operation amounting to S$0.1 million.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Non-Current Assets (cont'd)

Investment in joint ventures decreased by S$1.2 million or 42.9% from S$2.8 million as at 31 December 2022 to S$1.6 million as at 30 June 2023. The decrease was mainly due to consolidation of MSPL.

Other financial assets pertain to the group's investment in shares of Healthbank Holdings Limited (Listed on SGX Catalist).

Current Assets

Current assets increased by S$27.0 million or 21.2% from S$127.3 million as at 31 December 2022 to S$154.3 million as at 30 June 2023.

The increase was mainly due to increase in inventories of S$6.2 million, trade and other receivables of S$6.2 million, other non-financial assets of S$1.8 million and cash and cash equivalents of S$12.6 million.

Trade receivables turnover day as at 30 June 2023 is 88 days compared to 90 days as at 31 December 2022. Inventory turnover day as at 30 June 2023 is 215 days compared to 238 days as at 31 December 2022.

Other non-financial assets pertained to advance payment to suppliers, deposits to secure services and prepayments.

Non-Current Liabilities

Non-current liabilities increased by S$3.7 million or 2.0% from S$187.3 million as at 31 December 2022 to S$191.0 million as at 30 June 2023. The increase was mainly due to increase in bank loans and lease liabilities of S$3.6 million and S$0.1 million respectively. As of 30 June 2023, the group's property loans borrowing rates varies between 1.2% to 5.95%.

Current Liabilities

Current liabilities increased by S$26.9 million or 22.4% from S$120.2 million as at 31 December 2022 to S$147.1 million as at 30 June 2023.

The increase was mainly attributable to the increase in income tax payable of S$0.8 million, trade and other payables of S$11.4 million, loans and borrowings of S$15.7 million and lease liabilities of S$0.2 million. The increase was partially offset by the decrease in other non-financial liabilities of S$1.3 million.

The provision pertains to provision of rebate to customers.

Total amount of trade payables and trust receipts and bills payable to banks was S$32.5 million (31 December 2022: S$38.0 million). The turnover of the aforesaid items (based on cost of sales) is 107 days as at 30 June 2023 compared to 174 days as at 31 December 2022.

The increase in loans and borrowings was mainly due to increase in short term loans by S$27.3 million. The increase is partially offset by the repayment of trust receipts and bill payables by S$2.3 million and short term loan amounting to S$7.3 million.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business (cont'd)

Current Liabilities (cont'd)

The increase in income tax payable mainly due to increase in taxable profits during the period.

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

Cash Flows Review

HY2023

Net cash flows from operating activities was S$24.9 million due to operating cash flows before working capital changes of S$28.3 million, net cash flows from working capital of S$0.4 million and income tax paid of S$3.7 million. The net cash flows from working capital of S$0.4 million was mainly attributable by the increase in inventories of S$4.9 million, trade and other receivables of S$1.2 million, other non-financial assets of S$ 1.5 million and decrease in other non-financial liabilities of S$1.4 million. This was partially offset by the increase in trade and other payables of S$9.4 million.

Net cash flows used in investing activities amounting to S$16.9 million was mainly attributable by the purchase of plant and equipment of S$2.5 million, expenditure in construction in progress of S$14.2 million, net movements in amount due from joint ventures of S$0.1 million and increase in net movements in amount due from other related parties of S$1.2 million. This was partially offset from consolidation of a subsidiary of S$1.1 million.

Net cash flows from financing activities amounting to S$4.8 million was mainly attributable by the increase in borrowings of S$27.3 million. This was partially offset by the dividends paid to equity owners and non-controlling interests of S$6.5 million and S$1.1 million respectively. It is also offset from the repayment of lease liabilities of S$0.6 million, payment in loans and borrowings of S$7.4 million, decrease in trust receipt and bill payable of S$2.3 million and repayment of interest expense of S$4.6 million.

As a result of the above, there was a net increase of S$12.8 million in cash and cash equivalents. Cash and cash equivalents as at 30 June 2023 was S$24.3 million.

3. Forecast, or a prospect statement

There was no forecast or a prospect statement.

4. Significant trends and competitive conditions of the industry

Based on advance estimates, the Singapore economy grew by 0.7% on a year-on-year basis in the second quarter of 2023, faster than the 0.4% growth recorded in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the Singapore economy expanded by 0.3%, a turnaround from the 0.4% contraction in the first quarter of 2023.

The construction sector grew by 6.6% year-on-year in the second quarter, extending the 6.9% growth in the first quarter. Growth during the quarter was supported by expansions in both public and private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.6% in the second quarter, accelerating from the 0.3% growth in the preceding quarter.

On 12 January 2023, the Building and Construction Authority (BCA) projects the total construction demand in 2023 (i.e. the value of construction contracts to be awarded) to range between S$27 billion and S$32 billion.

The public sector is expected to contribute about 60% of the total construction demand, between S$16 billion and S$19 billion. This is supported by a continued strong pipeline of public housing projects amid Housing Development Board's (HDB) ramping up of Build-To-Order (BTO) flats supply. Industrial and institutional building construction is expected to contribute strongly to public sector demand, with more projects for the construction of water treatment plants, educational buildings and community clubs. Civil engineering construction demand is anticipated to stay firm with continued support from MRT line construction and other infrastructure works.

Private sector construction demand is projected to be between S$11 billion and S$13 billion in 2023, comparable with 2022 figures. Both residential and industrial building construction demand are expected to be similar to last year's level, underpinned by the development of new condominiums and high-specification industrial buildings. Due to the rescheduling of some major projects from 2022 to 2023 as well as the redevelopment of old commercial premises to enhance asset values, commercial building demand is anticipated to increase.

The preliminary total construction demand for 2022 reached S$29.8 billion, within BCA's earlier forecast of S$27 billion to S$32 billion and similar to the S$29.9 billion recorded in 2021. The continued firm demand was largely supported by residential and infrastructure projects in both public and private sectors.

Public sector construction demand improved slightly from S$17.8 billion in 2021 to S$17.9 billion in 2022, underpinned by major projects such as the Cross Island MRT Line (Phase 1), Jurong Region MRT Line, the Ministry of Health's (MOH) healthcare facilities and new Build-To-Order (BTO) units. On the other hand, while the private sector construction demand moderated slightly from S$12.1 billion in 2021 to S$11.9 billion in 2022 amid various economic downside risks, demands for private residential and industrial building developments remained resilient.

Over the medium-term, BCA expects the total construction demand to reach between $25 billion and $32 billion per year from 2024 to 2027.

4. Significant trends and competitive conditions of the industry (cont'd)

The public sector will continue to lead demand and is expected to contribute S$14 billion to S$18 billion per annum from 2024 to 2027, with about 60% of demand made up by building projects and the rest by civil engineering works. Besides public housing developments, public sector construction demand over the medium term will be supported by various major developments such as MRT projects including the Cross Island Line (Phases 2 & 3), Downtown Line Extension to Sungei Kadut and Brickland North South Line station, Toa Payoh Integrated Development and Woodlands Checkpoint redevelopment

Private sector construction demand is projected to remain steady over the medium-term, reaching approximately S$11 billion to S$14 billion per annum from 2024 to 2027, in view of healthy investment commitments amid Singapore's strong economic fundamentals.

The above information is sourced from:

1. *MTI's press release on 14 July 2023 - https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2023/07/AdvEst_2Q23.pdf*

2. *BCA's media release on 12 January 2023 - https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2023/01/12/singapore's-construction-demand-to-remain-strong-in-2023*

5. Dividend

5A. Dividend declared for the current financial period

	HY2023	
Name of Dividend	Interim Dividend Exempt (1-tier)	Special Interim Dividend Exempt (1-tier)
Type of Dividend	Cash	Cash
Total number of issued ordinary shares ('000)	430,550	430,550
Dividend per share	0.75 cent	0.50 cent

5. Dividend (cont'd)

5B. Dividend declared for the corresponding period of the immediately preceding financial year

	HY2022
Name of Dividend	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.75 cent

5C. Date payable

To be announced later.

5D. Record date

To be announced later.

6. Interested person transactions

Name of interested person and nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920) 6 months ended 30 June		Aggregate value of all IPTs conducted under IPT Mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 6 months ended 30 June	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Purchases of goods:				
MML Marketing Pte Ltd	–	–	–	1,794
Malaysian Mosaics Sdn Bhd	–	–	14,626	2,258
Sales of goods:				
Malaysian Mosaics Sdn Bhd	–	–	238	–
Hap Seng Trading (BM) Sdn Bhd	–	–	681	–
Rental expense:				
Malaysian Mosaics Sdn Bhd	–	–	290	–
Recharge of employment cost:				
Malaysian Mosaics Sdn Bhd	–	–	436	–
Reimbursement of expenses:				
Malaysian Mosaics Sdn Bhd	366	–	–	–
Aggregate value of transactions under the Associate of the Group's Controlling Shareholder, Hap Seng Consolidated Berhad	366	–	16,271	4,052

General mandate for IPT was renewed at the Annual General Meeting held on 28 April 2023.

7. Confirmation of directors and executive officers' undertakings pursuant to Listing Rule 720(1) (in the format set out in Appendix 7.7) under Rule 720(1)

The company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1).

8. Confirmation by the board

On behalf of the directors of the company, we, the undersigned directors, do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors that may render the interim financial statements to be false or misleading in any material aspect.

By Order of the Board

Low Kok Ann Executive Director and Chief Executive Officer	Low See Ching Non-Independent Non-Executive Director

10 August 2023