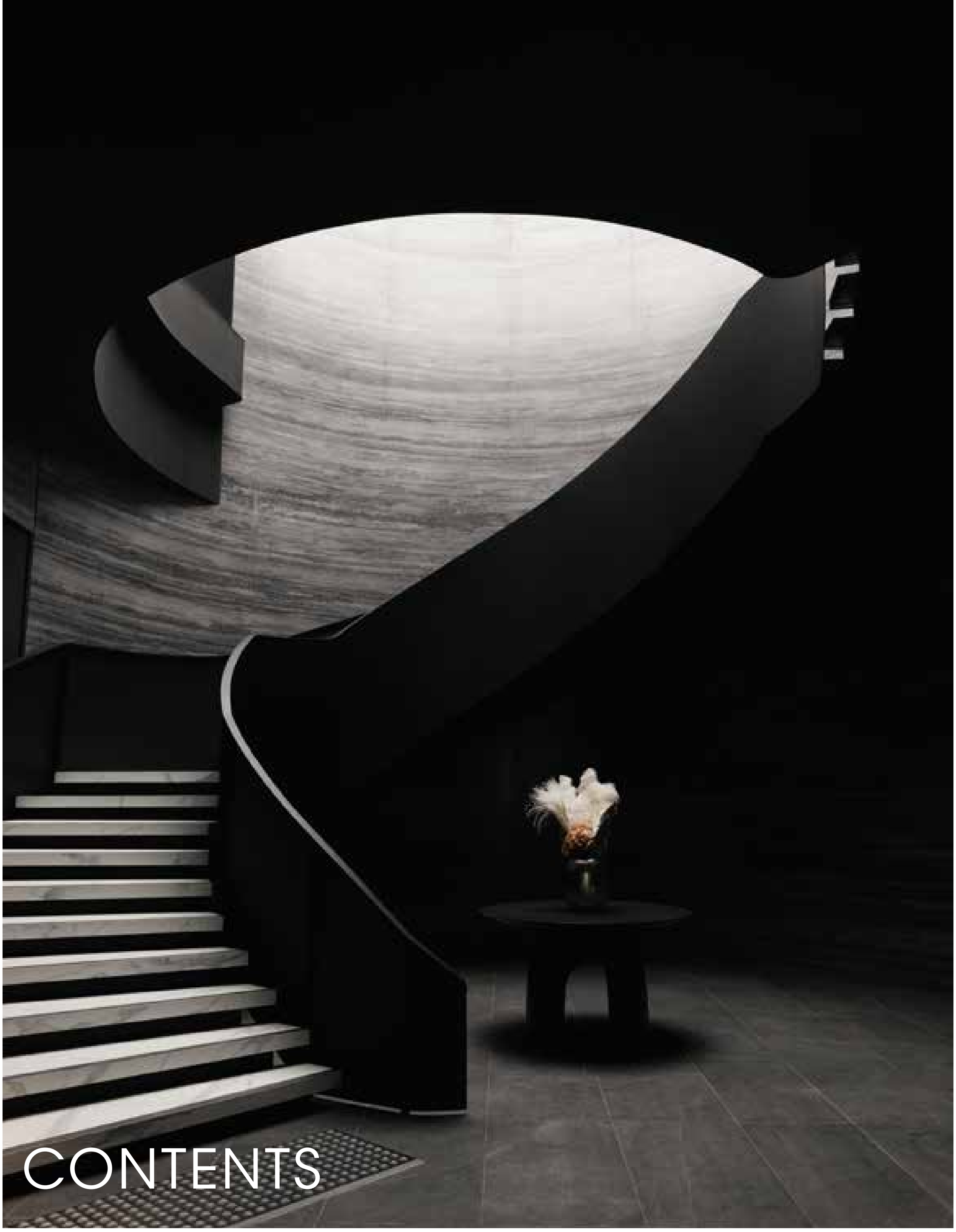
HAFARY

Holdings Limited

Annual Report 2021



CONTENTS

CORPORATE PROFILE

Hafary Holdings Limited and its subsidiaries ("Hafary") is a leading supplier of premium tiles, stone, mosaic, wood-flooring, quartz top and sanitary ware and fittings in Singapore. Leveraging on our strong sourcing and procurement network, we carry a wide variety of surfacing materials from Europe (mainly Italy and Spain) and Asia and supply to our customers at competitive prices.

Established in 1980 by Executive Director and CEO, Mr Low Kok Ann, Hafary is organised into 2 core business segments: General and Project. The General segment is spearheaded by the largest sales generator of the group, Hafary Pte Ltd, that supplies ceramics and stone tiles, quartz top and sanitary ware and fittings. Surface Project Pte. Ltd., Surface Stone Pte. Ltd. and Gres Universal Pte. Ltd. cater to demand for surfacing materials for use in construction and development projects. To date, these subsidiaries have supplied tiles and stone for use in a considerable number of quality commercial and residential development projects in Singapore.

Wood Culture Pte. Ltd. complements Hafary's businesses by offering wood and vinyl flooring. Joint venture, Melmer Stoneworks Pte. Ltd., specializing in the fabrication, polishing and profiling of stone and marble slabs for household and commercial purposes.

Hafary's Vietnam associate, Viet Ceramics International Joint Stock Company, is its first foray into the overseas tile retailing market. Foshan Hafary Trading Co., Limited, Hafary's wholly owned export agent in China, provides opportunities for the Group to widen its procurement and business network. Hafary's China joint venture, Guangdong ITA Element Building Materials Co., Limited, is principally involved in the designing and production of glazed porcelain tiles. Hafary's Myanmar joint venture, Hafary Myanmar Company Limited, marked the Group's foray into the developing market of Myanmar. Hafary Trading Sdn. Bhd., a wholly-owned subsidiary to venture into Malaysia's market.

Corporate headquarters and main showroom of Hafary is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836. The group's main warehouse is located at 3 Changi North Street 1 Singapore 498824 and 18 Sungei Kadut Street 2, World Furnishing Hub, Singapore 729236.

General

Retail customers may purchase our products directly from our four showrooms located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, 18 Sungei Kadut Street 2, World Furnishing Hub, Level 7, Singapore 729236, 560 Balestier Road Singapore 329876 and 18 Boon Lay Way #01-132 Tradehub 21 Singapore 609966. At our showrooms, customers can look forward to a wide variety of product displays, mock ups of living spaces and amicable service by our showroom sales team. Retail customers include architecture, interior design and renovation firms, who make ad-hoc purchases for small projects such as home renovation or small property development.

Project

We also supply surfacing materials to customers who are involved in public and private property development projects in Singapore. These public sector projects include HDB upgrading, construction or upgrading of public buildings such as schools, hospitals, sport complexes and military camps. Property development projects in the private sector include residential, commercial and industrial projects such as condominiums, shopping centres and hotels. Our Project customers comprise architecture firms, property developers and construction companies.

OUR PRODUCTS

Onyx & More
Florim

Dedicated to bringing design ideas to life, we market and distribute a comprehensive range of premium tiles for selection. Backed by our strong sourcing and procurement network, we are able to offer quality products at competitive prices.

Terre
Italgraniti Group

TILES

Moon_Vein
Coem Ceramiche

Res Art
Ceramica Fondovalle

Overclay
Marca Corona

OUR PRODUCTS

Explosion Blue
Antolini

Luxury and innovation goes hand in hand with our selection of natural and exotic stone. Carefully sourced from around the world, we bring in new selections regularly to inspire and provide endless design possibilities.

Patagonia
Antolini

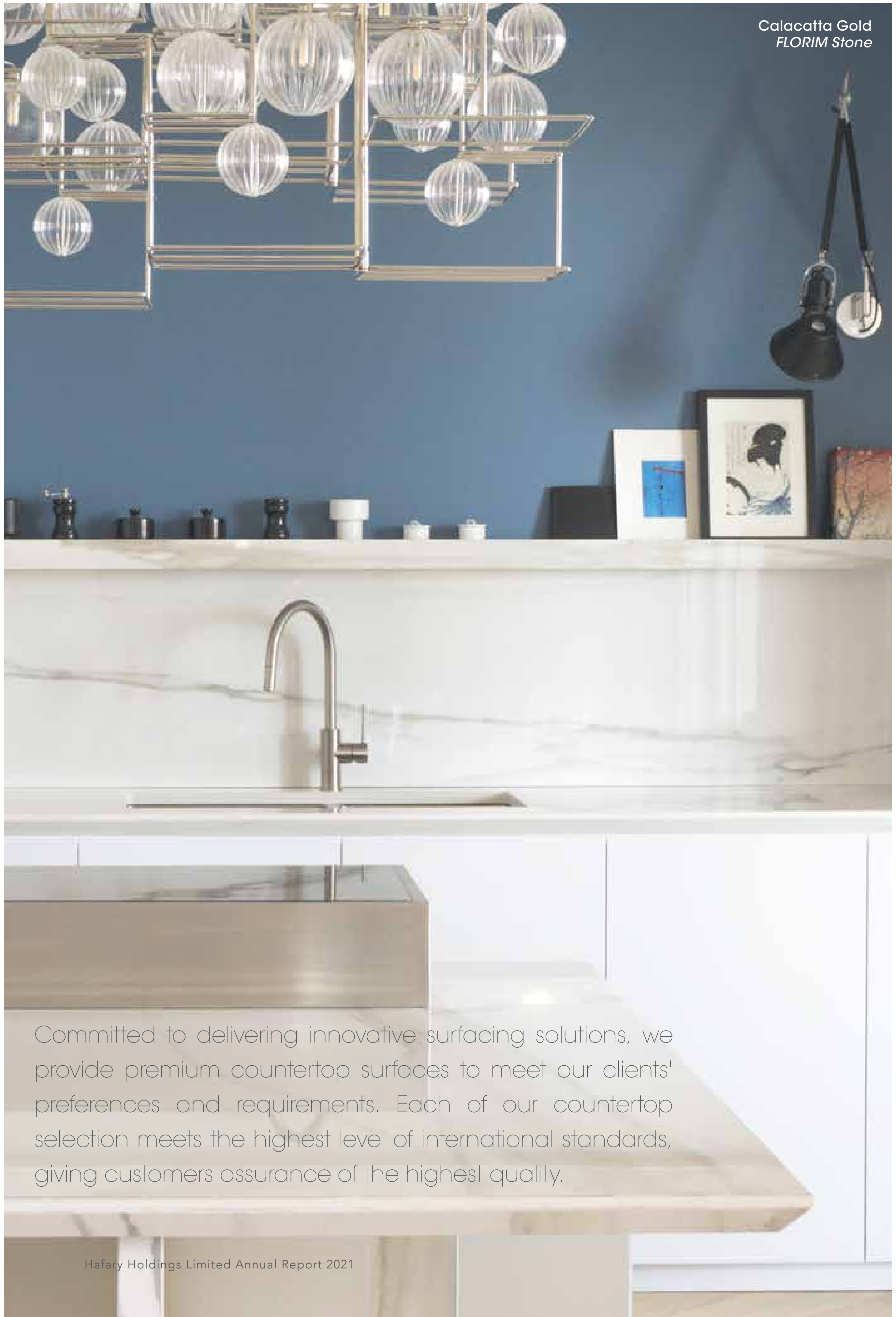
STONE

CNC
Salvatori

Romboo
Salvatori

Kithai
Petra Antiqua

OUR PRODUCTS



Calacatta Gold
FLORIM Stone

Committed to delivering innovative surfacing solutions, we provide premium countertop surfaces to meet our clients' preferences and requirements. Each of our countertop selection meets the highest level of international standards, giving customers assurance of the highest quality.

Bianco Polare
Lapitec

COUNTER TOPS

Bianco Assoluto
Lapitec

Cement Dark Gray
FLORIM Stone

Metal Russet
FLORIM Stone

OUR PRODUCTS

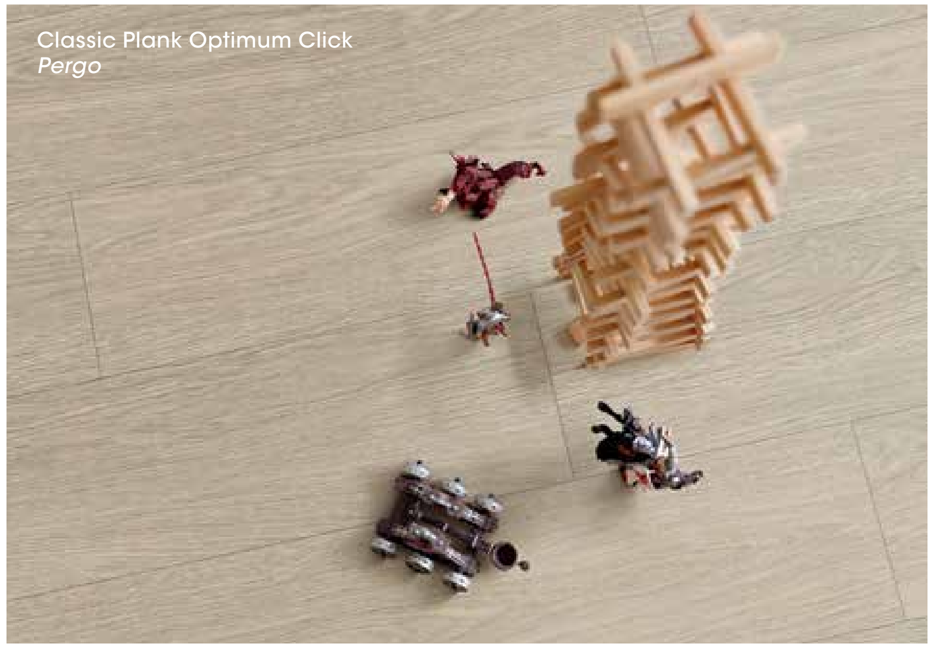
Pastoral 3000
Wood Culture

We offer a wide array of flooring solutions ranging from vinyl planks and tiles to solid timber and engineered wood. The product range meets current aesthetics and technical requirement to ensure the satisfaction of every customer.

Elegant
Wood Culture

VINYL & WOOD

Spirit Home
BerryAlloc



Classic Plank Optimum Click
Pergo

CEO'S STATEMENT

On behalf of the Board of Directors of Hafary Holdings Limited ("Hafary", the "Company" or the "Group"), I am pleased to present you with the Group's Annual Report for the financial year ended 31 December 2021 ("FY2021").

GROUP REVENUE

In FY2021, the Group registered a revenue of S$130.1 million, an increase of 54.3% compared to S$84.3 million during FY2020. This was mainly the result of a surge in revenues from the General and Project segments.

The upturn in revenue generated by the General segment was supported by the active resale market – robust demand from home buyers who prefer the certainty of getting their flats in the resale market and avoiding the construction delays with Build-To-Order flats, caused by manpower shortages and supply chain disruption. The resurgence in revenue from the Projects segment was backed by pent-up demand on the construction and renovation sector.

The General segment produced revenues of S$82.7 million in FY2021, a rise of S$28.8 million or 53.4% from S$53.9 million in FY2020. The Projects segment drew revenues of S$43.3 million in FY2021, an increase of S$16.2 million or 59.8% from S$27.1 million in FY2020.

Profit before tax increased to S$15.1 million for FY2021, a jump of 141.7% compared to S$6.3 million in FY2020.

DIVIDEND ANNOUNCEMENT

The Board is also pleased to announce that in view of the Group's encouraging results in the report for the Half Year ended 30 June 2021, an Interim Dividend of 0.75 Singapore cents per ordinary share was declared on 6 August 2021, and paid to our shareholders on 20 October 2021. The Board is also proposing a final dividend of 0.75 Singapore cents per ordinary share for approval at the forthcoming Annual General Meeting.

SINGAPORE BUSINESS

The New Hafary Gallery

We expanded our successful marketing initiatives and continued to showcase exciting product ranges in innovative ways that capture the imagination. On 19 August 2021, we opened our doors to the newly expanded Hafary Gallery – the first showroom in Singapore devoted entirely to the showcase of large format porcelain slabs. This stunning new showroom extension provides a total space of 43,000 square feet and demonstrates the ability of this revolutionary material to perform in full residential and commercial environments. Everyone from designers, architects to home owners can enter and go on a dream-like journey through a series of carefully curated experiential spaces with elements of fantasy and surrealism.

Increased Stake Acquisition in World Furnishing Hub

Prior to the increased stake acquisition, Hafary owned 46% of World Furnishing Hub Pte. Ltd. ("WFH") and considered WFH as a subsidiary due to having management control through its indirect interest in WFH.

The Board is delighted to announce that since the successful completion of the First Acquisition and the Second Acquisition on 29 December 2021 and 17 January 2022 respectively, Hafary now owns an 81% shareholding in the issued share capital of WFH.

Incorporation of Subsidiary

We are also happy to announce that on 2 August 2021, the Company's wholly-owned subsidiary, Hafary Pte Ltd, incorporated a wholly-owned subsidiary in Singapore, known as Hafary Crescent Pte. Ltd., whose principal activity is the cutting, shaping and finishing of stone and investment holding.

OVERSEAS INVESTMENTS

Vietnam

During FY2021, the Group's associate, Viet Ceramics International Joint Stock Company ("VCI"), a leading brand with exclusive collections of tiles, wood flooring, sanitary ware and fittings, continued to actively engage the public on social media with updates on new cutting-edge collections, project highlights and having products featured in video reviews by social media influencers.

In March, VCI launched its new Bath and Tiles Studio in Da Nang, its second showroom in central Vietnam. The new Bath and Tiles Studio measures more than 10,000 square feet and sprawls over three levels and a mezzanine floor so that visitors can experience a sequence of evocative settings and distinctive solutions for residential and commercial spaces.

VCI also executed marketing strategies to boost sales through digital platforms. In June, VCI presented its new digital catalogue 2021 edition, containing the latest design trends and products as an easy reference for homeowners, architects and interior designers. VCI introduced an interactive 24/7 virtual showroom in August, enabling customers to conveniently explore the stunning collections in VCI's 1,500-square-foot showroom at 102 Nguyen Khanh Toan with a virtual walk-through on their computers and mobile devices. In November, VCI launched an official online store, enabling customers to easily search for products on the site and make online purchases of their extensive range of high-end tiles, wood flooring and sanitary ware from leading global brands.

China

Hafary China's joint venture, Guangdong ITA Element Building Materials Co., Limited ("ITA Element"), includes Foshan Element Building Material Co., Ltd and Foshan Element Ceramic Co., Ltd. In the face of a fluctuating global political landscape and the severe challenges imposed by the COVID-19 situation in FY2021, ITA Element forged ahead in spearheading world-class design and manufacturing techniques to create functional value ceramics that rival high-end Italian imports, while adopting international safety standards.

CEO'S STATEMENT

In June, ITA Element proudly began construction of a brand new exhibition hall at China Ceramic Industry Headquarters ("CCIH"), to build the luxury HomeDecor Experience Hall, in order to showcase the fusion of art, innovation and technology that brings new vision to furnishing spaces.

The collaboration with CCIH and China Ceramic City and the completion of ITA Element's new three-storey showroom on October will enable Element to enjoy significant industrial aggregation effects and kickstart an exciting new chapter in its brand development. This flagship building personifies ITA Element as a Brand Driven by Design and represents ITA Element's new global vision to become an acclaimed name in Chinese ceramics.

ITA Element was awarded as the winner of the *2021 China Architectural Ceramic Brand Top 100 and Brand Driven by Design* at 2021 Global Ceramics Neo-Ecosystem Year-end Conference on 30 December.

Myanmar

The Group's joint venture company Hafary Myanmar Co. Ltd ("Hafary Myanmar") showed bracing results despite operating under difficult circumstances and national unrest arising from the military coup which took place in FY2021. Hafary Myanmar continues to face challenges with the unstable political environment, as well as the COVID-19 pandemic situation.

OUTLOOK

According to reports by the Ministry of Trade and Industry ("MTI"), the Singapore economy grew by 7.6% in 2021, bouncing back from the 4.1% contraction in 2020. Taking into account current global and domestic economic environments, excepting any new uncertainties arising in the global economy, the Singapore economy is projected to expand by "3.0 to 5.0%" in 2022.

In 2021, the construction sector expanded by 20.1%, a reversal from the 38.4% contraction in 2020, bolstered by both public and private sector construction works. Activities in the construction sector are projected to continue to recover as border restrictions on the entry of migrant workers from South Asia are progressively eased. However, the shortfall in labour will take time to be regained in order to meet business needs. The output of the construction sector is expected to remain below pre-pandemic levels for 2022.

Based on data from the Building and Construction Authority, total construction demand is projected to be between S$27.0 billion and S$32.0 billion in 2022. Demand from the public sector is expected to hold well at between S$16.0 billion and S$19.0 billion, with strong demand especially for public housing and major infrastructural projects. Total private sector construction demand is projected to be between S$11.0 billion and S$13.0 billion, supported by the redevelopment of en-bloc sales sites, the Central Business District Incentive Scheme on conversion to residences, commercial redevelopments and the construction of industrial buildings.

The construction sector continues to face challenges such as supply chain disruptions, labour shortages, higher material and manpower costs, higher cost and time resources needed to comply with COVID-safe measures, as well as pressing demand to make up for lost time in the completion of projects, but looks set to have an encouraging outlook towards further stable industry recovery for 2022.

SUSTAINABILITY

The Hafary app, Singapore's very first mobile app for tiles and surfacing materials, continued to enjoy greater uptake and usage by mobile users on the Apple iStore and Google Play Store. In July, we were happy to deliver the latest version of the Hafary app with two additional features – the adding of price information to all products, enabling users to carry out product research more efficiently, and users now have brand new search filters for surface finish, slip rating and price, allowing the most suitable product to be easily found at their fingertips.

IN APPRECIATION

I would like to express my utmost appreciation to my fellow Directors for their invaluable guidance and stewardship that have navigated the Group through challenging times, to all our stakeholders for their unwaveringly steadfast backing, and of course, to our loyal and brilliant management and employees – you are all an invaluable part of the thriving resilience that makes Hafary what we are today as we keep heading together towards brighter days ahead.

LOW KOK ANN
Executive Director & CEO

BOARD OF DIRECTORS

Ong Beng Chye

Independent
Non-Executive Chairman

Mr Ong Beng Chye was appointed as Lead Independent Director on 10 November 2009 and was re-elected on 14 April 2021. He was appointed as the Independent Non-Executive Chairman of our Company on 6 March 2015. He graduated with a Bachelor of Science with Honours Degree from The City University, London in 1990 and has more than 29 years of experience in the finance sector.

Mr Ong is currently a Director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an Independent Director of other listed companies in Singapore. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising Chartered Accountant (Singapore).

Other present directorship:
Geo Energy Resources Limited
IPS Securex Holdings Limited
CapAllianz Holdings Ltd
(formerly known as "CWX Global Limited")
ES Group (Holdings) Limited
Alpina Holdings Limited

Past directorship (Preceding three years):
Heatec Jietong Holdings Ltd.
Kitchen Culture Holdings Ltd.

Low Kok Ann

Executive Director and
Chief Executive Officer

Mr Low Kok Ann was appointed as Executive Director of our Company on 6 October 2009 and was re-elected on 22 June 2020. He attained a Government Higher School Certificate (Chinese) in 1969.

Mr Low was one of the founders of the main subsidiary of our Company, Hafary Pte Ltd, and has been an Executive Director since its incorporation in 1980. His wealth of experience in the tile industry has been pivotal to our success and growth. He was appointed as Chief Executive Officer ("CEO") of our Company on 1 February 2014. On 6 March 2015, He relinquished his role of Executive Chairman. As the CEO, his primary responsibility is to formulate and oversee the corporate and strategic development and overall management and operations of our Group.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

BOARD OF DIRECTORS

Datuk Edward Lee Ming Foo, JP

Non-Independent
Non-Executive Director

Datuk Edward Lee Ming Foo, JP was appointed as a Non-Independent Non-Executive Director of our Company on 6 March 2015 and was re-elected on 14 April 2021. He graduated with a Degree in Bachelor of Arts from the McMaster University in Canada in 1977.

Datuk Edward Lee is presently the Managing Director of Hap Seng Consolidated Berhad ("HSCB") and Hap Seng Plantations Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, he is the Managing Director of Gek Poh (Holdings) Sdn Bhd, the holding company of HSCB. HSCB is also the 50.82% major shareholder of the Company.

Other present directorship:
Hap Seng Consolidated Berhad
Hap Seng Plantations Holdings Berhad

Past directorship (Preceding three years):
NIL

Low See Ching

Non-Independent
Non-Executive Director

Mr Low See Ching was appointed as the Non-Independent Non-Executive Director on 31 January 2014 and was re-elected on 24 April 2019. He graduated with a Bachelor of Accountancy Degree from Nanyang Technological University, Singapore in 1999.

Prior to this appointment, Mr Low served in the Board as Executive Director and in the Company as CEO . He joined the main subsidiary of our Company, Hafary Pte Ltd, in 2000 and rose through the ranks from Sales Executive to CEO in 2005. As the CEO , he was responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies.

Mr Low is presently the Executive Director and Deputy CEO of Oxley Holdings Limited, listed on the Mainboard of Singapore Exchange.

Mr Low is retiring at the forthcoming AGM and being eligible, has offered himself for re-election as Director.

Other present directorship:
Oxley Holdings Limited
Aspen (Group) Holdings Limited (Alternate Director)

Past directorship (Preceding three years):
NIL

BOARD OF DIRECTORS

Cheah Yee Leng

Non-Independent
Non-Executive Director

Ms Cheah Yee Leng was appointed as a Non-Independent Non-Executive Director of our Company on 6 March 2015 and was re-elected on 24 April 2019. She holds a Bachelor of Economics Degree and Bachelor of Laws Degree from Monash University in Australia.

Ms Cheah joined Hap Seng Consolidated Berhad ("HSCB") group of companies in 1997 and was appointed an Executive Director of HSCB on 1 June 2014. She is presently the Director of Corporate Affairs and the Legal Counsel of HSCB Group.

Ms Cheah is also an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") and a Non-Independent Non-Executive Director of Paos Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, she is the Group Company Secretary of HSP.

Ms Cheah is retiring at the forthcoming AGM and being eligible, has offered herself for re-election as Director.

Other present directorship:
Hap Seng Consolidated Berhad
Hap Seng Plantations Holdings Berhad
Paos Holdings Berhad

Past directorship (Preceding three years):
NIL

Yong Teak Jan @ Yong Teck Jan

Non-Independent
Non-Executive Director

Mr Yong Teak Jan @ Yong Teck Jan was appointed as a Non-Independent Non-Executive Director of our Company on 18 January 2018 and was re-elected on 14 April 2021. Mr Yong graduated with a Bachelor of Science with Honours in Chemistry from the University of Malaya, Malaysia.

Mr Yong has more than 25 years of experience in the building material and engineering industries in Malaysia and Singapore. He had held various positions such as business development, sales and marketing, export, manufacturing and procurement scopes in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited.

Mr Yong is currently a director and the Chief Operating Officer of building materials - general trading business of Hap Seng Consolidated Berhad and Malaysian Mosaics Sdn Bhd, which trades and distributes ceramic tiles under the 'MML' brand name, one of Malaysia's leading brands in ceramic tiles with more than five decades in the market.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

BOARD OF DIRECTORS

Terrance Tan Kong Hwa

Independent Director

Mr Terrance Tan Kong Hwa was appointed as an Independent Director of our Company on 10 November 2009 and was re-elected on 24 April 2019. He has more than 30 years of experience in the banking and private equity/ venture capital industry. He is currently a Partner/ Director of Providence Capital Management Pte Ltd, a private equity fund management and consultancy firm that he co-founded in 2007. Mr Tan graduated with a Degree in Bachelor of Science (Estate Management) (Honours) from the National University of Singapore in 1989.

Mr Tan is retiring at the forthcoming AGM and being eligible, has offered himself for re-election as Director.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

Foo Yong How

Independent Director

Mr Foo Yong How was appointed as an Independent Director of our Company on 9 July 2020 and was re-elected on 14 April 2021. He has more than 10 years of experience in investment banking, business development and wealth management. He was appointed as Chief Corporate Officer in Sapphire Corporation Limited (listed on SGX Mainboard), assisting the CEO of Sapphire in key functions which includes formulation of strategic planning in mergers and acquisition, new business opportunities and corporate finance related activities. He can contribute to the Group with his expertise in the strategic planning and corporate finance activities.

Mr Foo was formerly the General Manager of International Healthway Corporation Ltd (now known as OUE Lippo Healthcare Ltd), assisting the Board of Directors in the management and supervision of operations, financial management and marketing, as well as being part of the Interim Transition Committee, when the new Board of directors was appointed with the existing CEO being suspended of all executive functions and power.

Mr Foo has also worked in UOB Kay Hian where he was involved in structuring both public and private deals in the investment banking field and international capital markets. He has co-led numerous successful IPO deals in diverse sectors, such as real estate, medical and resources. He graduated with a BSc in Electrical Engineering from the National University of Singapore in 2003, and is a CFA® Charterholder.

Other present directorship:
NIL

Past directorship (Preceding three years):
NIL

KEY MANAGEMENT

Tay Eng Kiat Jackson
Chief Operating Officer & Company Secretary

Mr Tay joined our Group in 2009. He is currently the Chief Operating Officer and Company Secretary of the Group. He oversees the operational and corporate secretarial functions, which includes business development and investor relations. He also superheads overall corporate and strategic development in Singapore and overseas.

Mr Tay has more than 18 years of experience in Accounts and Finance functions of various entities in the public and private sector.

Mr Tay is also the Chairman and Independent Director of Sim Leisure Group Ltd and Independent Director of OUE Lippo Healthcare Limited, both of which are companies listed on the Catalist Board of the SGX-ST. He was also appointed as Non-Executive Independent Director of Sapphire Corporation Limited, a company listed on the SGX main board.

Mr Tay holds a Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University, Singapore and is member of the Institute of Singapore Chartered Accountants.

Koh Yew Seng Mike
Director – Logistics

Mr Koh joined our Group in 2008. His responsibilities include overseeing our warehouse and logistics operations and also assisting the CEO with procurement administration. He also facilitates operational coordination between the Group's Singapore and overseas entities.

Mr Koh has more than 15 years of experience in the tile industry. He attained his General Certificate of Education 'O' Levels in 1977.

Goh Keng Boon Frank
Project Director

Mr Goh joined our Group in 2004. He heads the Project Sales and Marketing team of Surface Project Pte Ltd, a key subsidiary involved in private sector project sales and leads the execution of its corporate sales strategies.

Mr Goh has more than 15 years of experience in the tile industry. He graduated with a Bachelor Degree in Building Management from RMIT University, Australia in 2001.

Tay Chye Heng Stephen
Public Project Director

Mr Tay joined our Group in 2011 to set up and lead the Public Project Department specialising in the supply of building materials for use in Housing Development Board ("HDB") flats and government buildings.

Mr Tay has more than 30 years of experience and held various key positions in his past employments in the tile industry. He attained his General Certificate of Education 'O' Levels in 1974.

Lee Yee Fei Mandy
Financial Controller

Ms Lee joined our Group in 2015. She is currently the Financial Controller of the Group. She oversees the Group's finance and corporate functions, including financial reporting, tax, treasury, internal controls, governance and regulatory compliance.

Ms Lee has more than 10 years of working experience in the area of audit, finance and accounting. She is a non-practising Chartered Accountant (Singapore).

GROUP STRUCTURE

AS OF REPORTING DATE

HAFARY HOLDINGS LIMITED

UEN: 200918637C

100%

HAFARY PTE LTD
UEN: 198001531R

SINGAPORE

70%	SURFACE PROJECT PTE. LTD.	UEN: 200500263N
90%	SURFACE STONE PTE. LTD.	UEN: 200906485D
100%	WOOD CULTURE PTE. LTD.	UEN: 201007442H
100%	HAFARY CENTRE PTE. LTD.	UEN: 201026113W
100%	HAFARY VIETNAM PTE. LTD.	UEN: 201120831H
50%	MELMER STONEWORKS PTE. LTD.	UEN: 201216143E (Joint Venture)
100%	HAFARY INTERNATIONAL PTE. LTD.	UEN: 201305688M
100%	MARBLE TRENDS PTE. LTD.	UEN: 201309646E
81%	WORLD FURNISHING HUB PTE. LTD.	UEN: 201317854K
100%	HAFARY TRADEMARKS PTE. LTD.	UEN: 201526416M
51%	HAFARY BALESTIER SHOWROOM PTE. LTD.	UEN: 201603055M
56%	GRES UNIVERSAL PTE. LTD.	UEN: 201610591C
100%	HAFARY BUILDING MATERIALS PTE. LTD.	UEN: 201724020R
100%	HAFARY W+S PTE. LTD.	UEN: 201834344K
33.33%	HAFARY MYANMAR INVESTMENT PTE. LTD.	UEN: 201834571E (Joint Venture)
100%	HAFARY CRESCENT PTE. LTD.	UEN: 202126825D

OVERSEAS

49%	VIET CERAMICS INTERNATIONAL JOINT STOCK COMPANY	UEN: 0311028311 (Associate incorporated in Vietnam)
100%	FOSHAN HAFARY TRADING CO., LTD	UEN: 440600400022964 (Subsidiary incorporated in China)
50%	GUANGDONG ITA ELEMENT BUILDING MATERIALS CO., LIMITED	UEN: 91440604MA4WQTML60 (Joint venture incorporated in China)
100%	HAFARY TRADING SDN. BHD.	UEN: 202001030234(1386554-D) (Subsidiary incorporated in Malaysia)

FINANCIAL HIGHLIGHTS

For the Year	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue - General	82,716	53,853	61,589	70,949	60,637
Revenue - Project	43,287	27,062	43,516	46,053	52,795
Revenue - Others	4,092	3,400	3,335	2,997	2,402
Total Revenue	130,095	84,315	108,440	119,999	115,834
Revenue - General (% of total revenue)	63.6%	63.9%	56.8%	59.1%	52.3%
Revenue - Project (% of total revenue)	33.3%	32.1%	40.1%	38.4%	45.6%
Earnings before interest, income taxes and depreciation (EBITDA)	25,651	16,664	23,734	21,741	19,497
EBITDA margin (%)	19.7%	19.8%	21.9%	18.1%	16.8%
Finance cost (i.e. Interest expense)	3,204	3,261	4,535	4,161	3,607
Profit before income tax	15,133	6,260	11,574	11,989	9,839
Profit before income tax margin (%)	11.6%	7.4%	10.7%	10.0%	8.5%
Net Profit	12,312	5,535	10,005	10,119	8,432
Net Profit margin (%)	9.5%	6.6%	9.2%	8.4%	7.3%
Profit after income taxes and non-controlling interest (PATNCI)	11,580	5,260	10,087	10,723	8,745
PATNCI margin (%)	8.9%	6.2%	9.3%	8.9%	7.5%

For the Year	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Non-current assets	191,187	133,375	139,867	131,863	135,393
Current assets	94,836	91,490	99,112	104,589	95,122
Total assets	286,023	224,865	238,979	236,452	230,515
Non-current liabilities	126,368	92,275	88,468	83,653	87,478
Current liabilities	82,249	59,122	79,524	86,606	81,959
Total liabilities	208,617	151,397	167,992	170,259	169,437
Total debt	181,483	127,089	144,664	143,367	144,953
Cash and cash equivalents	6,070	5,211	7,559	6,063	5,996
Net debt	175,413	121,878	137,105	137,304	138,957
Shareholders' equity	75,475	71,309	68,963	64,012	58,032
Total equity	77,406	73,468	70,987	66,193	61,078
Number of ordinary shares ('000)	430,550	430,550	430,550	430,550	430,550
Weighted average number of ordinary shares ('000)					
- Basic	430,550	430,550	430,550	430,550	429,769
- Diluted	430,550	430,550	430,550	430,550	429,769
Share price at year end (cents)	17.0	14.0	15.0	16.4	17.5
Market capitalisation as at year end date	73,194	60,277	64,583	70,610	75,346

FINANCIAL HIGHLIGHTS

For the Year Financial Ratios	2021	2020	2019	2018	2017
PROFITABILITY					
Revenue growth (%)	54.3%	-22.2%	-9.6%	3.6%	5.7%
PATNCI growth (%)	120.2%	-47.9%	-5.9%	22.6%	7.0%
Return on assets (%) (PATNCI/ Total assets)	4.0%	2.3%	4.2%	4.5%	3.8%
Return on equity (%) (PATNCI/ Average shareholders' equity)	15.8%	7.5%	15.2%	17.6%	15.6%
LIQUIDITY					
Current ratio (times)	1.2	1.5	1.2	1.2	1.2
Cash as per share (cents)	1.4	1.2	1.8	1.4	1.4
Net assets per share (cents)	17.5	16.6	16.0	14.9	13.5
LEVERAGE					
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	2.3	1.7	2.0	2.1	2.4
Interest cover (times) (EBITDA/ Finance cost)	8.0	5.1	5.2	5.2	5.4
INVESTORS' RATIO					
Earnings per share (cents) (Basic and fully diluted)	2.7	1.2	2.3	2.5	2.0
Gross dividend per share (cents) - Interim	0.7	0.3	0.5	0.5	1.0
Gross dividend per share (cents) - Final	0.7	0.7	0.5	0.5	0.5
Total gross dividend per share (cents) (DPS)	1.5	1.0	1.0	1.0	1.5
Gross dividend yield (%) based on year end share price	8.8%	7.1%	6.7%	6.1%	8.6%
Gross dividend payout (%) (Gross dividend/ Profit after tax attributable to shareholders)	55.8%	61.4%	42.7%	40.2%	49.1%

FINANCIAL REVIEW

Statement of Comprehensive Income	FY2021 S$'000	FY2020 S$'000	Change S$'000	Change %
Revenue	130,095	84,315	45,780	54.3
Interest Income	161	105	56	53.3
Other Gains	2,065	3,683	(1,618)	(43.9)
Changes in Inventories of Goods Held for Resale	2,485	446	2,039	457.2
Purchases and Related Expenses	(69,944)	(44,571)	(25,373)	56.9
Employee Benefits Expenses	(21,318)	(16,163)	(5,155)	31.9
Amortisation and Depreciation Expense	(7,475)	(7,248)	(227)	3.1
Impairment Losses	(8,498)	(4,404)	(4,094)	93.0
Other Losses	(223)	(575)	352	(61.2)
Finance Costs	(3,204)	(3,261)	57	(1.7)
Other Expenses	(10,573)	(7,910)	(2,663)	33.7
Share of Profit from An Equity-Accounted Associate	1,206	1,775	(569)	(32.1)
Share of Profit from Equity-Accounted Joint Ventures	356	68	288	423.5
Profit Before Income Tax	15,133	6,260	8,873	141.7
Income Tax Expense	(2,821)	(725)	(2,096)	289.1
Profit, Net of tax	12,312	5,535	6,777	122.4
Other Comprehensive Income				
Items that may be reclassified subsequently to profit or loss				
Exchange Differences on Translating Foreign Operations, net of tax	1,134	315	819	260.0
Total Comprehensive Income for the Year, Net of Tax	13,446	5,850	7,596	129.8
Profit Attributable to:				
- Owners of the Parent, Net of Tax	11,580	5,260	6,320	120.2
- Non-Controlling Interest, Net of Tax	732	275	457	166.2
	12,312	5,535	6,777	122.4
Total Comprehensive Income Attributable to:				
- Owners of the Parent	12,714	5,575	7,139	128.1
- Non-Controlling Interests	732	275	457	166.2
	13,446	5,850	7,596	129.8

Revenue

During FY2021, the Group registered a revenue of S$130.1 million compared to S$84.3 million during FY2020.

The revenue from the general segment increased by S$28.8 million or 53.4% from S$53.9 million during FY2020 to S$82.7 million during FY2021. 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.

The revenue from the project segment increased by S$16.2 million or 59.8% from S$27.1 million during FY2020 to S$43.3 million during FY2021. The increase in revenue was backed by pent-up demand on the construction and renovation sector in year 2021.

Interest Income

For FY2021, 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 and also derived from a loan of US$3.0 million (equivalent to approximately S$4.1 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their working capital needs in Vietnam.

For FY2020, 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.

Other Gains

For FY2021, other gains mainly comprised of government grants of S$1.6 million. For FY2020, other gains mainly comprised of government grants of S$3.5 million. There are various relief measures and support from the Singapore government, including jobs support scheme and foreign worker levy rebate. The government grants were recognised in accordance with the principles of SFRS(I)1-20 Accounting for Government Grants and Disclosure of Government Assistance.

Other Losses

For FY2021, other losses mainly comprised of fair value losses on derivative financial instruments of S$0.1 million and fair value losses on other financial assets of S$0.1 million.

For FY2020, other losses mainly comprised of foreign exchange adjustments losses of S$0.4 million.

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.

Cost of sales increased by S$23.4 million or 53.1% from S$44.1 million during FY2020 to S$67.5 million during FY2021. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin had improved from 45.4% in FY2020 to 46.5% in FY2021.

Employee Benefits Expenses

Employee benefits expenses increased by S$5.1 million or 31.9% from S$16.2 million during FY2020 to S$21.3 million during FY2021. The increase was mainly due to 3 factors: the revision of accrued bonus to be in line with business performance during FY2021 and FY2020, the waiver of foreign worker levy in FY2020 and commission payout. Lesser foreign worker levy waiver received and higher staff commission due to higher sales collection as compared to FY2020 also contributed to the increase in employee benefits expenses. As at 31 December 2021, the group has 324 employees (including directors) (31 December 2020: 325 employees).

Amortisation and Depreciation Expenses

Amortisation and depreciation expenses increased by S$0.3 million or 4.2% from S$7.2 million during FY2020 to S$7.5 million during FY2021. The increase was mainly due to increase in depreciation charge on newly acquired properties during the year offset with a ROU asset which has fully amortised in May 2020. The related tenancy was renewed for another one year which did not met the criteria for capitalisation as ROU assets.

Impairment Losses

Impairment losses mainly comprise the impairment of inventories of S$7.6 million and impairment of trade and non-trade receivables of S$0.5 million and S$0.4 million respectively. The impairment losses increased by S$4.1 million or 93.0% from S$4.4 million during FY2020 to S$8.5 million during FY2021. The increase was mainly due to the increase in allowance for impairment of inventories based on the impairment assessment factors highlighted below:

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 sales experience, the ageing of inventories, the stock movement and other factors that affect inventory obsolescence taking into account the evolution of COVID-19 situation. 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 ECL requires a degree of estimation and judgement. In measuring the ECL, the 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 (including the impact arising from the COVID-19 situation).

Finance Costs

Finance costs decreased by S$0.1 million or 1.7% from S$3.3 million during FY2020 to S$3.2 million during FY2021.

Other Expenses

Other expenses increased by S$2.7 million or 33.7% from S$7.9 million during FY2020 to S$10.6 million during FY2021. The increase was mainly due to the suspension of business operation from early April 2020 to 18 June 2020.

Share of Profit from an Equity-Accounted Associate

Share of profit from associate amounted to S$1.2 million (FY2020: share of profit of S$1.8 million). The decrease was due to prolonged effect of the COVID-19 situation.

Share of Profits from Equity-Accounted Joint Ventures

Share of profits from joint ventures amounted to S$0.4 million (FY2020: share of profits of S$0.1 million). The increase in joint venture profits was mainly attributable by the improved financial performance of the joint ventures in Singapore and China during the financial year.

Profit Before Income Tax

Profit before tax increased to S$15.1 million in FY 2021 from S$6.3 million in FY2020.

Excluding share of profit from associate and share of profits from joint ventures amounting to S$1.6 million (FY2020: S$1.8 million), PBIT generated from recurring activities was S$13.5 million (FY2020: S$4.5 million).

Other Comprehensive Income

This pertained to foreign exchange difference on translating foreign operations.

Income Tax Expense

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. Income tax expense increased to S$2.8 million in FY2021 from S$0.7 million from FY2020. The increase in income tax expense was due to higher taxable profit during the year.

Statement of Financial Position	2021 S$'000	2020 S$'000	Change S$'000	Change %
Non-Current Assets:				
Property, Plant and Equipment	94,612	72,501	22,111	30.5
Right-of-Use Assets	71,751	37,863	33,888	89.5
Investment Property	4,172	4,191	(19)	(0.5)
Investment in an Associate	17,507	15,753	1,754	11.1
Investment in Joint Ventures	2,805	2,655	150	5.6
Other Financial Assets	340	412	(72)	(17.5)
Total Non-Current Assets	191,187	133,375	57,812	43.3
Current Assets:				
Inventories	46,249	50,938	(4,689)	(9.2)
Trade and Other Receivables	35,733	29,960	5,773	19.3
Derivative Financial Assets	-	9	(9)	(100.0)
Other Non-Financial Assets	6,784	5,372	1,412	26.3
Cash and Cash Equivalents	6,070	5,211	859	16.5
Total Current Assets	94,836	91,490	3,346	3.7
Total Assets	286,023	224,865	61,158	27.2
Equity:				
Equity, Attributable to Owners of the Parent	75,475	71,309	4,166	5.8
Non-Controlling Interests	1,931	2,159	(228)	(10.6)
Total Equity	77,406	73,468	3,938	5.4

Statement of Financial Position	2021 S$'000	2020 S$'000	Change S$'000	Change %
Non-Current Liabilities:				
Deferred Tax Liabilities	953	664	289	43.5
Other Financial Liabilities, Non-Current	112,924	82,256	30,668	37.3
Lease Liabilities, Non-Current	12,491	9,355	3,136	33.5
Total Non-Current Liabilities	126,368	92,275	34,093	36.9
Current Liabilities:				
Income Tax Payable	2,688	1,285	1,403	109.2
Provision	924	725	199	27.4
Trade and Other Payables	17,668	16,275	1,393	8.6
Derivative Financial Liabilities	64	-	64	N.M.
Other Financial Liabilities, Current	55,142	34,597	20,545	59.4
Lease Liabilities, Current	926	881	45	5.1
Other Non-Financial Liabilities	4,837	5,359	(522)	(9.7)
Total Current Liabilities	82,249	59,122	23,127	39.1
Total Liabilities	208,617	151,397	57,220	37.8
Total Equity and Liabilities	286,023	224,865	61,158	27.2

STATEMENT OF FINANCIAL POSITION
Non-Current Assets

Non-current assets increased by S$57.8 million or 43.3% from S$133.4 million as at 31 December 2020 to S$191.2 million as at 31 December 2021.

Property, plant and equipment increased by S$22.1 million or 30.5% from S$72.5 million as at 31 December 2020 to S$94.6 million as at 31 December 2021. The increase was mainly due to the addition of property, plant and equipment amounting to S$27.1 million and foreign exchange adjustments of S$0.2 million during FY2021. The increase was partially offset by the depreciation expense amounting to S$5.2 million during the year.

The increase was mainly due to:

a) Purchase of a leasehold property for own use, which is located at 11 Changi North Way Singapore 498796 amounting to S$17.3 million (inclusive of stamp duty) by its subsidiary, Hafary Pte Ltd;
b) Showroom renovation cost amounting to S$2.7 million;
c) Plant and equipment additions amounting to S$1.7 million; and
d) Purchase of a leasehold property for own use, which is located at 51 Middle Road Singapore 188959 amounting to S$4.0 million (inclusive of stamp duty) by its subsidiary, Hafary W+S Pte. Ltd.

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 increased by S$33.9 million or 89.5% from S$37.9 million as at 31 December 2020 to S$71.8 million as at 31 December 2021. The increase was due to the capitalisation of right-of-use assets in relation to the leases of S$36.0 million and foreign exchange adjustments of S$0.2 million during the year and was partially offset by depreciation of S$2.3 million.

The increase was mainly due to purchase of land use rights in relation to one of the leasehold properties which is mentioned above.

Investment in associate increased by S$1.7 million or 11.1% from S$15.8 million as at 31 December 2020 to S$17.5 million as at 31 December 2021. The increase was mainly due to exchange differences on translating associate with foreign operation amounting to S$0.5 million and share of profit amounting to S$1.2 million from associate.

Investment in joint ventures increased by S$0.1 million or 5.6% from S$2.7 million as at 31 December 2020 to S$2.8 million as at 31 December 2021. The increase was mainly due to share of profits amounting to S$0.4 million from joint ventures and exchange differences on translating joint ventures with foreign operation amounting to S$0.1 million. The increase was partially offset by dividends amounting to S$0.4 million from joint ventures.

Other financial assets pertain to the group's investment in shares of Healthbank Holdings Limited (Listed on SGX Catalist). The decrease of S$0.1 million or 17.5% from $0.4 million as at 31 December 2020 to S$0.3 million as at 31 December 2021 was due to fair value loss on other financial assets.

Current Assets

Current assets increased by S$3.3 million or 3.7% from S$91.5 million as at 31 December 2020 to S$94.8 million as at 31 December 2021.

The increase was mainly due to increase in trade and other receivables of S$5.8 million, other non-financial assets of S$1.4 million and cash and cash equivalents of S$0.8 million. The increase was partially offset by the decrease in inventories of S$4.7 million.

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

Trade receivables turnover day as at 31 December 2021 was 77 days compared to 90 days as at 31 December 2020. Inventory turnover day as at 31 December 2021 was 250 days compared to 354 days as at 31 December 2020. The improved trade receivables turnover days mainly due to timely collection from customers. The lower net inventory turnover days as compared to 31 December 2020 mainly due to high movement of inventories to cope the pent-up demand in the construction and renovation sector during FY2021.

Non-Current Liabilities

Non-current liabilities increased by S$34.1 million or 36.9% from S$92.3 million as at 31 December 2020 to S$126.4 million as at 31 December 2021. The increase was mainly attributable to the increase in bank loans and lease liabilities of S$30.6 million and S$3.1 million respectively.

Bank loans increased by S$30.6 million or 37.3% from S$82.3 million as at 31 December 2020 to S$112.9 million as at 31 December 2021. The increase was mainly due to additional bank loans amounting to S$41.0 million during FY2021. The increase was partially offset by the repayment of bank loans amounting to S$10.4 million during the period.

The increase in bank loans (both current and non-current portion) was mainly due to:

a) Additional bank loans in relation to purchase of two units of leasehold properties for own use located at 11 Changi North Way Singapore 498796 and 51 Middle Road Singapore 188959 amounting to S$40.6 million;

b) Increase in trust receipts and bills payables by S$9.7 million;

c) Additional bank loans of S$7.6 million for working capital use; and

d) Additional bank loan of S$0.5 million for construction works located at 11 Changi North Way Singapore 498796.

Current Liabilities

Current liabilities increased by S$23.1 million or 39.1% from S$59.1 million as at 31 December 2020 to S$82.2 million as at 31 December 2021.

The increase was mainly attributable to the increase in income tax payable of S$1.4 million, provision of S$0.2 million, trade and other payables of S$1.4 million, derivative financial liabilities of S$0.1 million and other financial liabilities of S$20.5 million. The increase was partially offset by the decrease in other non-financial liabilities of S$0.4 million.

The provision is pertaining to provision of rebate to customers.

Total amount of trade payables and trust receipts and bills payable to banks was S$27.1 million (31 December 2020: S$16.3 million). The turnover of the aforesaid items (based on cost of sales) is 142 days as at 31 December 2021 compared to 134 days as at 31 December 2020.

The increase in other financial liabilities was mainly due to increase in trust receipts and bill payables by S$9.7 million, short term loans by S$7.7 million, transfer of non-current bank loans to current bank loans by S$3.1 million.

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

Leasehold properties held by the Group	105 Eunos Avenue 3 Hafary Centre Singapore 409836	3 Changi North Street 1 Singapore 498824	54/56 Sungei Kadut Loop Singapore 729477	18C Sungei Kadut Street 4 Singapore 729066	18 Sungei Kadut Street 2 World Furnishing Hub Singapore 729236	North Fang Xun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangzhou, China	532 Balestier Road Singapore 329859	11 Changi North Way Singapore 498796	51 Middle Road Singapore 188959
Description	6-storey light industrial building	2-storey warehouse	1-storey warehouse	Warehousing/ Production premises/ 2-storey ancillary building	7-storey industrial building	Warehouse and 5-storey dormitory	2-storey corner prewar shophouse	4-storey warehouse	6-storey corner commercial building
Purpose	Headquarters and main showroom	Main warehouse	Warehouse	Marble processing facility	Commercial and warehousing	Warehouse	Commercial	Warehouse	Proposed showroom and commercial
Tenure of land	Expiring 14 September 2039	Expiring 28 February 2059	Expiring 15 January 2025	Expiring 15 September 2025	Expiring 3 September 2043	Expiring 30 December 2050	Freehold	Expiring 15 November 2063	Expiring 29 January 2834
Area ('000 square feet) - Land - Gross floor or net lettable area	 54 130	 113 151	 105 69	 56 46	 107 296	 441 287	 2 3	 78 109	 3 17
Purchase price (S$'000)	9,800	10,000	2,502	1,430	8,650	10,000	4,050	16,000	34,750
Development and directly attributable costs (S$'000)	11,752	13,787	-	2,938	49,788	100	226	2,226	1,037
Carrying amount as at 31 December 2021 (S$'000)	14,552	19,219	448	1,359	46,714	7,942	4,173	17,935	35,727

BOARD STATEMENT

Board Statement

We are pleased to present Hafary Holdings Limited's ("Hafary" or the "Company", and together with its subsidiaries, the "Group") annual Sustainability Report for our financial year ended 31 December 2021 ("FY2021").

The key material economic, environmental, social and governance ("EESG") factors for Hafary have been identified by the management. The board of directors of Hafary ("Board") oversees the management and monitoring of these factors and takes them into consideration in the determination of the Company's strategic direction and policies. Sustainability is a part of Hafary's wider strategy to create long-term value for all our stakeholders.

With the availability of economic, environment, social and governance data, sustainability reporting has gained greater significance to investors. Far from being just an image building exercise, today it is widely accepted that good EESG practices contribute to the overall long-term success of the Company and play an important part in the competition for talent and investment.

Businesses must be quick to adapt to key stakeholders' concerns, closing any potential gaps and capitalising on opportunities amid today's rapidly changing business environment.

In defining our reporting content, we applied the Global Reporting Initiative ("GRI")'s principles by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. We observed a total of four principles, namely materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

Hafary faced a challenging business environment in FY2021 as the COVID-19 pandemic has caused a disruption to the global economic condition. The COVID-19 also has a profound impact on how businesses manage issues of sustainability as the pandemic has placed EESG issues at the forefront for many governments and businesses globally. This pandemic represents both opportunities and risks to the business. Adaptation is required to successfully navigate through challenging times. For Hafary, the pandemic has affected the way in which we operate on a day-to-day basis. From the adoption of changes to working arrangements, efforts have been undertaken to ensure that the needs of all our stakeholders are addressed during the pandemic.

During the COVID-19 pandemic, we stay committed to prioritise the safety of our employees and customers. We have implemented the safety protocols and educated our employees on the necessary measures to ensure that they were well-prepared in keeping themselves and our customers safe.

This year, our review of the material EESG matters identified in the materiality assessment shows that they remain significant and relevant to our business.

We have engaged an external Sustainability consultant to perform an internal review of the internal controls over our sustainability reporting process. We may consider seeking external assurance of our Sustainability Report in the future.

Reporting Period and Scope

This report is set out on a "comply or explain" basis in accordance with Listing Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Ltd. ("SGX-ST") Listing Manual on Continuing Listing Obligations. Corresponding to GRI's emphasis on materiality, this report highlights the key EESG related initiatives carried out throughout the 12-month period, from 1 January to 31 December 2021. The scope of this report covers the activities of the Group's subsidiaries in Singapore and China.

Reporting Framework

Hafary has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this report has been prepared in reference to the GRI Standards reporting guidelines, at Core level.

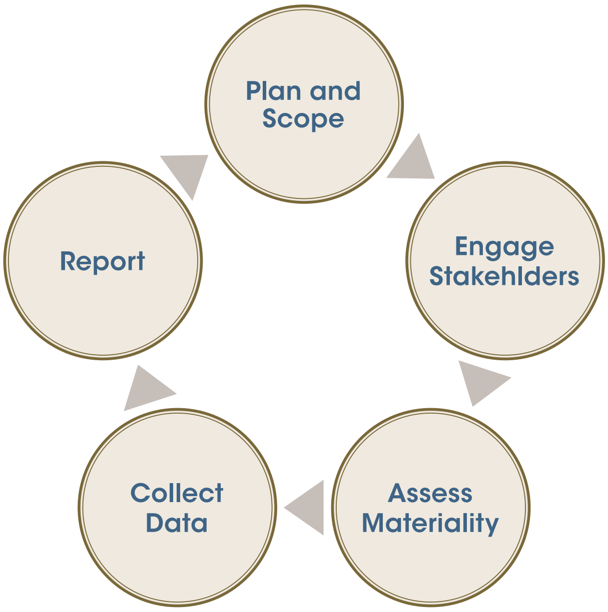
Feedback

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to sustainability@hafary.com.sg.

22 March 2022

APPROACH TO SUSTAINABILITY

Sustainability Reporting Process



Sustainability Committee

The Group has in place a Sustainability Steering Committee which is led by the CEO and supported by the department heads from various functional divisions in the Group.

Stakeholder Engagement

As the Group continues to expand its operations, we are committed to review the relevance and significance of key stakeholders on an annual basis. The below remained as our key stakeholders as they are those who would be impacted by the Group's business and operations and/or who have a material impact on the success of the Group's business and operations.

Our policies, key concerns and engagement channel to stakeholder are explained below:

Stakeholders	Key concerns	Hafary's responses to stakeholders' concerns	Engagement channel
Customers	• Quality products and services • Project Management, including timeline and execution • Availability of feedback platforms <u>COVID-19 specific concerns:</u> • Provision of services with satisfactory standards and meeting customers' expectations without compromise despite challenges posed by COVID-19 • Safety measures at our premises	• Keeping our products offerings up-to-date and providing a pleasant shopping experience • Foster brand loyalty via improving customer satisfaction • Implementation of health and safety measures at our premises to ensure all the visitors health and safety	• Customer showroom visits • Hafary's owned websites • Hafary's social media platforms e.g. Facebook • Feedback handling through email / phone calls • Timely updates on COVID-19 made available at our premises
Employees	• Benefits and remuneration • Talent retention and career progression • Training and development • Employee safety and well-being • Anti-corruption and bribery <u>COVID-19 specific concerns:</u> • Job security • Workplace flexibility • Workplace safety	• Develop our employees to their fullest potential through training and development • Provide a safe working environment by regular maintenance of our premises • Conduct performance evaluation and provide fair remuneration packages and benefits • Implementation of health and safety measures at our premises to ensure all the employees health and safety	• On-boarding and orientation • Mobile chart groups • Annual Performance appraisals • Internal and external trainings • Providing timely updates on COVID-19 • Having flexible working arrangement • Recognise and reward contributions of employees

Stakeholders	Key concerns	Hafary's responses to stakeholders' concerns	Engagement channel
Local communities	• Charitable contribution • Volunteering activities	• Support to charitable causes through our CSR initiatives	• Corporate Social Responsibility (CSR) programme • Community service events
Shareholders & Investors	• Group business strategy and developments • Financial performance • Risk management • Operational efficiency • Regulatory compliance • Corporate governance • Sustainability efforts COVID-19 specific concerns: • Business resilience to the shock posed by COVID-19	• Maximise the value of shareholders through strengthening our financial fundamentals	• Announcements via SGXNet • Annual report • Company website • Annual General Meeting
Suppliers	• Fair payment terms • Timely payment as per contractual terms COVID-19 specific concerns: • Management of supply chain disruptions arising from challenges posed by COVID-19	• Cultivate and maintain cordial relationships with our suppliers through adherence to trading norms • Timely and transparent communication with suppliers	• Supplier on-site meetings, feedback and correspondents, via fax, phone call and email.
Regulators & Government	• Sustainability reporting • Compliance with laws and regulations as mandated by the relevant authorities • Good corporate governance & ethics, transparency and non-financial reporting • Anti-corruption and bribery COVID-19 specific concerns: • Adherence to the workplace safe distancing guidelines issued by the relevant authorities	• Compliance with the relevant laws and regulations • Promote communication with authorities	• Sustainability reporting • Ensure regulatory compliance across our businesses • Direct engage with authorities • Announcements via SGXNet • Annual report • Compliance of the Safety Measure and implementation of safe distancing practices at the workplace

Materiality Assessment

Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised to identify material factors which are subject to validation. The end result of this process is a list of material factors disclosed in the Sustainability Report.

IDENTIFICATION
PRIORITISATION
VALIDATION
REVIEW

The Group has conducted the materiality assessment in previous reporting year. We engaged external and internal stakeholders, seeking their feedback for prioritisation of these topics.

In order to determine if an aspect is material, we assessed the significance of economy, environment and society impacts and influence on the stakeholder assessments and decisions. The material factors represent not just risks, but also opportunities to the Group. Each of the well-managed factor could underpinned our stakeholders' confidence and thereby gaining their non-financial support to the Group in the long-term. Applying the guidance from GRI, we have identified the following as our material aspects.

Having identified the material factors and our key stakeholders, we have mapped out our sustainability priorities, impact to stakeholders and current year performance in the table below.

Material Factors	Impact To Stakeholders	GRI Disclosures	Read More In
Economic	All our internal and external stakeholders look to Hafary to deliver on financial performance, as well as our value-added contribution to the societies and communities we operate.	• Economic Performance *(201-1)* • Anti-corruption *(205-1, 205-3)*	Sustainability Report, Page 31
Environmental	We aim to minimise the negative impact of our business on the environment by in compliance to the applicable environmental laws and regulations.	• Environmental Compliance *(307-1)*	Sustainability Report, Page 31 to 32
Social	**Employees** Our people are one of our most valuable assets. Maintaining a safe and healthy workplace for our employees and contractors is critical to Group's continual operation and success. **Customers** To ensure the quality of our product delivered to our customers. Applies across to the business operations in Singapore and overseas. **Suppliers** To offer fair payment term and prompt payment as per contracts to our suppliers. **Local communities** The Group is dedicating to being a model corporate citizen who positively contributes and impacts the community.	• Employment *(401-1 & 401-2)* • Diversity and Equal Opportunity *(405-1)* • Occupational Health and Safety *(403-1, 403-2, 403-5 & 403-10)* • Local Communities *(413-1)* • Socioeconomic Compliance *(419-1)*	Sustainability Report, Pages 32 to 36

Material Factors	Impact To Stakeholders	GRI Disclosures	Read More In
Governance	Hafary believes strong corporate governance is critical to the success of the Group and forms the foundation for the trust that our shareholders and stakeholders have placed on us to protect their interests. Other than the basis for regulatory compliance, we also believe strong corporate governance translates to more robust risk management systems and lead to better business performance.	The GRI is not available for below disclosures: • Corporate Governance • Enterprise Risk Management • Business Ethics • Code of Conduct and Ethics	Sustainability Report, Page 36 to 38

To ascertain that the material factors remained relevant and important to our stakeholders, we have conducted a survey with our external stakeholders during the year.

We have asked our stakeholders to ranked the material EESG factors from 1 to 5 (i.e., 1 as the least important and 5 as the most important).

The table on the right shows the rating of each of the material factors as a result of the survey conducted. This exercise confirmed that the reported EESG factors were relevant and important to our stakeholders.

Stakeholder Group	Survey Response Composition
Customers	18%
Shareholders & Investors	6%
Financial Institutions	12%
Suppliers	58%
Regulators & Government	6%
Total	**100%**

EESG Factor	Rating
Economic Performance	3.9
Anti-Corruption	3.9
Environmental Compliance	3.3
Employment, Diversity and Equal Opportunity	3.4
Occupational Health and Safety	3.5
Addressing the threat from COVID-19	3.8
Local Communities	3.2
Socioeconomic Compliance	3.3
Corporate Governance	4.0
Enterprise Risk Management	3.9
Business Ethics	4.0
Code of Conduct and Ethics	4.0

ECONOMIC

Economic Performance (GRI 201-1)

Hafary is committed to grow our customers and exceed our customers' expectations and providing them with competitive edge products by enhancing operational efficiency by incorporating effective use of technology, develop performance measures, communicate outcomes and results and implement necessary changes to provide fast and high-quality services at low transactional costs.

For detailed financial results, please refer to the following sections:

- Financial Highlights, pages 18 to 19
- Financial Review, pages 20 to 25
- Financial Statements, pages 73 to 132

We do not set a target for economic performance, this is to prevent giving any false impression of the Group to our stakeholders. However, we will remain cautious with regards to market conditions and will continue to be vigilant in managing costs and improving operational efficiencies.

Anti-corruption (GRI 205-1, 205-3)

Hafary does not tolerate corruption in any form. The Company has in place a whistleblowing policy which has been communicated to all employees. The Company's employees and external parties such as the Company's business associates may, in confidence, raise any concerns about possible improprieties in matters of financial reporting or other matters to the Management and/or the AC by submitting a whistleblowing report. It is available on the Company's website (http://www.hafary.com.sg/investor_relations/policies). All concerns about possible improprieties can be communicated directly to the Company's Audit Committee via whistleblower@hafary.com.sg.

There were no public cases and no incidents of corruption during the reporting period. Our goal is to maintain zero incident of corruption. We will regularly review policies on whistleblowing and anti-corruption.

	FY2021	FY2020	FY2019
No. of incident of corruption	0	0	0

Target in FY2021	Performance in FY2021
Maintain zero incident of corruption	Target achieved

Target in FY2022
Maintain zero incident of corruption

ENVIRONMENTAL

The minimisation of our environmental footprint impact is one of the key objectives of Hafary in relation to the environment. By minimising the environmental footprint, this would achieve a twofold benefit where Hafary would be conducting the business in a socially responsible manner and benefit from reducing operational costs, for example, through the reduction in the use of electricity by utilising more energy efficient appliances. As good practise, Hafary remains committed to minimise its emissions by adopting energy saving measures where possible. In addition to this, Hafary is expecting the power of solar energy to generate green electricity within the headquarter and warehouses to reduce carbon print and become more environmentally friendly. Hafary is pleased to report that the Group is in the midst of installing the solar power systems.

In FY2021, Hafary entered into supply contracts with the sustainable energy solutions providers and developers, to install the photovoltaic ("PV") power plants on the rooftop of the Group's headquarter and warehouses across Singapore. Hafary aims to fulfil the commitment towards a more sustainable business by using clean solar energy through the installation of the solar panels. The solar panels will be employing to drive the electricity consumption during the days once the solar projects fully completed.

We also continue our dedication in lowering our energy consumption by increasing awareness amongst employees. We have continued with the following practices to curb the energy consumption:

- Encourage employees to reduce energy consumption in the office by maintaining an adequate air temperature in office
- Use of motion sensor lights at certain area, such as office toilets
- Efficient planning of route for our motor vehicles.

ENVIRONMENTAL COMPLIANCE (GRI 307-1)

The main business of Hafary Group is supply of imported building materials, including tiles, stones, mosaics, woods, sanitary wares and so on. Hafary does not have major manufacturing operations within the Group, hence the direct environmental impact is limited.

In FY2021, there were no incident of non-compliance with applicable environmental laws and regulations that resulted in significant fines or non-monetary sanctions. We target to maintain this track record in the upcoming years.

	FY2021	FY2020	FY2019
No. of incident of non-compliance with environmental and related laws and regulations resulting in significant fines or non-monetary sanctions	0	0	0

Target in FY2021	Performance in FY2021
Maintain zero incident of non-compliance	Target achieved

Target in FY2022
Maintain zero incident of non-compliance

SOCIAL

Employment, Diversity and Equal Opportunity (GRI 401-1, 401-2 & 405-1)

In building an engaged workforce, Hafary Group is committed to diversifying our workplace and providing equal opportunities to every employee regardless of background.

As a people-centric company, we are concerned with the wellbeing of our employees and implemented a number of staff welfare initiatives, such as annual dinner and festive meals. All our full-time employees are entitled a range of employee benefits which comprise of medical and dental benefits and covered by various forms of insurance, such as group medical insurance, workmen injury compensation insurance and travel insurance (for overseas business trips). To foster an overall pro-family environment, the Group provides our employees with marriage leave, maternity and paternity leaves and an additional day of childcare leave for all our full-time foreign employees.

As of 31 December 2021, our workforce is composed of 324 (FY2020: 325, FY2019: 359) employees.

Based on the data maintained with the Group's Human Resources Department, though most of our employees fall under the category of "less than 5 years of service", more than 30% of employees have been with us for more than 5 years, which illustrates a moderate turnover rate. Our average monthly turnover rate was 1.5% in FY2021 while it was 1.5% and 2.1% in FY2020 and FY2019, respectively. We continuously strive to further improve talent retention through fair remuneration and opportunities for employees to improve themselves.

Employee diversity

Gender (by headcount)	FY2021	FY2020	FY2019
Male	178	191	222
Female	146	134	137
Total	324	325	359

Gender (by %)	FY2021	FY2020	FY2019
Male	55%	59%	62%
Female	45%	41%	38%
Total	100%	100%	100%

Age (by headcount)	FY2021	FY2020	FY2019
Over 50 years	35	27	25
30 to 50 years	223	231	241
Under 30 years	66	67	93
Total	324	325	359

Age (by %)	FY2021	FY2020	FY2019
Over 50 years	11%	8%	7%
30 to 50 years	69%	71%	67%
Under 30 years	20%	21%	26%
Total	100%	100%	100%

Nationality (by headcount)	FY2021	FY2020	FY2019
Singaporean & SPR	138	129	122
Malaysian	87	73	89
Indian	49	65	81
Chinese	41	44	53
Others	9	14	14
Total	324	325	359

Employee diversity (cont'd)

Nationality (by %)	FY2021	FY2020	FY2019
Singaporean & SPR	42%	40%	34%
Malaysian	27%	22%	25%
Indian	15%	20%	22%
Chinese	13%	14%	15%
Others	3%	4%	4%
Total	100%	100%	100%

Length of service (by headcount)	FY2021	FY2020	FY2019
More than 10 years	79	65	54
5 to 10 years	85	106	95
Less than 5 years	160	154	210
Total	324	325	359

Length of service (by %)	FY2021	FY2020	FY2019
More than 10 years	24%	20%	15%
5 to 10 years	26%	33%	27%
Less than 5 years	50%	47%	58%
Total	100%	100%	100%

New employee hires

Gender (by headcount)	FY2021	FY2020	FY2019
Male	29	15	54
Female	27	13	11
Total	56	28	65

Gender (by %)	FY2021	FY2020	FY2019
Male	52%	54%	83%
Female	48%	46%	17%
Total	100%	100%	100%

Age (by headcount)	FY2021	FY2020	FY2019
Over 50 years	29	9	29
30 to 50 years	23	19	35
Under 30 years	4	0	1
Total	56	28	65

Age (by %)	FY2021	FY2020	FY2019
Over 50 years	52%	32%	45%
30 to 50 years	41%	68%	54%
Under 30 years	7%	0%	1%
Total	100%	100%	100%

Nationality (by headcount)	FY2021	FY2020	FY2019
Singaporean & SPR	20	8	3
Malaysian	26	6	16
Indian	0	11	29
Chinese	9	2	15
Others	1	1	2
Total	56	28	65

Nationality (by %)	FY2021	FY2020	FY2019
Singaporean & SPR	36%	29%	5%
Malaysian	46%	21%	25%
Indian	0%	39%	44%
Chinese	16%	7%	23%
Others	2%	4%	3%
Total	100%	100%	100%

Employee turnover

Gender (by headcount)	FY2021	FY2020	FY2019
Male	41	44	70
Female	16	16	18
Total	57	60	88

Gender (by %)	FY2021	FY2020	FY2019
Male	72%	73%	80%
Female	28%	27%	20%
Total	100%	100%	100%

Age (by headcount)	FY2021	FY2020	FY2019
Over 50 years	21	17	31
30 to 50 years	36	40	57
Under 30 years	0	3	0
Total	57	60	88

Age (by %)	FY2021	FY2020	FY2019
Over 50 years	37%	28%	35%
30 to 50 years	63%	67%	65%
Under 30 years	0%	5%	0%
Total	100%	100%	100%

Nationality (by headcount)	FY2021	FY2020	FY2019
Singaporean & SPR	12	8	12
Malaysian	11	13	17
Indian	16	27	27
Chinese	12	11	30
Others	6	1	2
Total	57	60	88

Nationality (by %)	FY2021	FY2020	FY2019
Singaporean & SPR	21%	13%	14%
Malaysian	19%	22%	19%
Indian	28%	45%	31%
Chinese	21%	18%	34%
Others	11%	2%	2%
Total	100%	100%	100%

Talent retention

	FY2021	FY2020	FY2019
Average monthly turnover rate	1.5%	1.5%	2.1%

Target in FY2021	Performance in FY2021
Maintain the average monthly turnover rate below 3%	Target achieved

Target in FY2022
Maintain the average monthly turnover rate below 3%

Occupational Health and Safety (GRI 403-2 & 403-5)

Hafary upholds high standards of a safe and conducive workplace for our customers and employees alike. The appropriate safety measures and standard operating procedures put in place to all parties are clear what to do in case of emergency, and management teams are well-equipped to respond to such situation.

In order to upskill our employees in the area of workplace health and safety, our employees are trained on the fire safety hazard processes at the office, showroom and warehouse. We hold regular fire drills and evacuation exercises in accordance with ISO14001:2004 standards. Our HR department tracks and report industrial accidents and injuries, and if required, claims will be filed accordingly. All our department heads, supervisors and employees are briefed to directly inform HR department on all accidents and injuries at the workplace.

In addition, our employees attended the WSQ Respond to Fire Incident in Workplace course to improve the knowledge and be equipped with the application skills and knowledge required to effectively respond to fire incidents.

Renewals of required certificates and permits or inspection for the fire safety and lifts at our premises, are regularly reported and monitored.

Certification

The Group achieved the following certifications which are valid during the reporting period. These well recognised standards provide us with the frameworks to manage risks associated with health and safety in our workplace.

- ISO 9001:2015, globally recognized Quality Management Standard
- ISO 45001:2018, an internationally applied British Standard for occupational health and safety management systems
- BizSAFE Star Certification, certified by Workplace Safety and Health Council Singapore.

Similar to the past 2 years, there were no fatal accidents and no occupational diseases reported during the reporting period. We will continue to stress workplace safety at all times and maintain this record in the upcoming years.

	FY2021	FY2020	FY2019
No. of fatal accidents and occupational diseases	0	0	0

Target in FY2021	Performance in FY2021
Maintain zero fatal accidents and occupational diseases	Target achieved

Target in FY2022
Maintain zero fatal accidents and occupational diseases

Addressing the threat from COVID-19 (GRI 403-1, 403-10)

Our employees are our valued assets and are key resources to the long-term viability of our business. We greatly value the diversity in our workforce and ensure that our employees' well-being is well taken care of.

In response to the threat from COVID-19, Hafary stays committed to prioritise the safety of our employees and also our customers. Hafary has implemented various precautionary measures with reference to the guidelines issued by the Ministry of Health and other relevant authorities to address the safety and well-being of our employees and customers at our premises.

We established the safety measures and emergency response protocols that communicated among our employees to ensure our business operations are conducted in a safe manner and keeping our employees and customers safe. The safety measures included the following:

- All our employees are required to undergo COVID-19 Antigen Rapid Tests (ART) weekly and the test result must be in negative before they report to work at our premises
- All our employees are advised to consult the doctor if they are feeling unwell
- Implemented SafeEntry digital check-in system in the workplace and showrooms to collect entry data of employees and customers for contact tracing purposes
- Ensure one-meter safe distancing among our employees and customers in the workplace and showrooms
- Encourage virtual meetings and minimise the physical meetings at our premises
- Promote alternate work arrangements and staggered working hours
- Timely update on general information on prevention spread of COVID-19 virus and latest group policies on workplace safety measures
- Face masks and hand sanitisers were made available for all our employees, they were reminded to wear face masks at all times and to apply hand sanitisers regularly
- Disinfection of common touchpoints within our premises daily.

In the event of COVID-19 transmission being detected, the affected staff shall be required to adhere to the latest protocols and regulations on COVID-19 issued by MOH to protect others from being exposed to a possible COVID-19 infection.

As the economic activities gradually reopened in Singapore over the period, there were several employees infected with COVID-19 during the year. The infected employees are advised to adhere to the latest protocols and regulations on COVID-19 issued by MOH. The infected employees are continued to be paid during their recovery period.

In FY2021, there were no incident of non-compliance with applicable laws and regulations related to COVID-19 that resulted in significant fines or non-monetary sanctions. We target to maintain this track record in the upcoming years.

	FY2021	FY2020	FY2019
No. of incident of non-compliance with applicable laws and regulations related to COVID-19 that resulted in significant fines or non-monetary sanctions	0	0	0

Target in FY2021	Performance in FY2021
Maintain zero incident of non-compliance	Target achieved

Target in FY2022
Maintain zero incident of non-compliance

Local Communities (GRI 413-1)

The Group believes in giving back to society. The Group has an existing local community development programme, based on local communities' needs, to minimize, mitigate, or compensate for adverse social impacts as well as to enhance positive impacts on the community. During the reporting period, financial assistance and support were rendered to the charities and organisations in the causes of:

- Arts
- Children & Youth
- Community
- Disability
- Elderly
- Entrepreneurship
- Enrichment
- Environment
- Sports

	FY2021	FY2020	FY2019
No. of causes supported	6	9	12

We do not set a target for community contribution. This is to prevent giving any false impression of the Group to our stakeholders. However, we have always been committed to participate in charity events and worthy causes year on year.

The current year's plan was unexpectedly disrupted by the outbreak of COVID-19. Going forward, we will continue to support the local communities in the upcoming years.

Socioeconomic Compliance (GRI 419-1)

We are committed to conducting our business activities in a lawful manner. All of our employees are reminded to ensure compliance with applicable economic, labour and social laws and regulations. The Group regularly review and monitor our policies and practices with regard to regulatory requirements.

Similar to the past, there were no material non-compliance with applicable laws and regulations in the social and economic area reported in FY2021.

Our target is to ensure all significant allegation received are promptly addressed and to maintain zero incident of material non-compliance in the upcoming years.

	FY2021	FY2020	FY2019
No. of significant allegation received	0	0	0
No. of significant allegation received that are promptly addressed	0	0	0
No. of material incident of non-compliance with applicable laws and regulations in the social and economic area	0	0	0

Target in FY2021	Performance in FY2021
Ensure all significant allegation received are promptly addressed, if any	Target achieved
Maintain zero incident of material non-compliance	Target achieved

Target in FY2022
Ensure all significant allegation received are promptly addressed, if any
Maintain zero incident of material non-compliance

GOVERNANCE

Corporate Governance

The Board and the Management of Hafary are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our shareholders. Please refer to pages 42 to 63 for details of the Group's Corporate Governance Statement.

Similar to the past, there were no known incidents of material non-compliance with Code of Corporate Governance within Hafary.

Going forward, we will continue to comply with the Code of Corporate Governance and meet all requirements that are expected of us by our stakeholders.

	FY2021	FY2020	FY2019
No. of incident of material non-compliance with Code of Corporate Governance	0	0	0

Target in FY2021	Performance in FY2021
Maintain zero incident of material non-compliance	Target achieved

Target in FY2022
Maintain zero incident of material non-compliance

Enterprise Risk Management

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems. The Audit Committee assists the Board in providing oversight of risk management in the Company.

The Company has in placed an Enterprise Risk Management Framework. The implementation and maintenance of the Company's risk management framework is undertaken by the senior management team, which reports to the Audit Committee on strategic business risks as well as providing updates on the risk management activities of the Company's businesses and the Enterprise Risk Management implementation progress in the Company. Significant strategic risks identified are assessed, managed and monitored adequately within the Company's risk management framework. These strategic risks are also reviewed and refreshed to ensure relevant emerging risks are being considered and included for proper assessment, monitoring and reporting as appropriate.

The Group continually reviews and improves its business and operational activities to identify areas of significant business risk as well as taking appropriate measures to control and mitigate these risks. These include the implementation of safety, security and internal control measures and taking up appropriate insurance coverage. The Group's financial risk management programme seeks to minimise potential adverse effects of the unpredictability of financial markets on the Group's financial performance.

The outbreak of COVID-19 has weakened the global economic condition. The Group remains committed to weathering the challenging business environment as market risks remain elevated. The Group has adopted measures with reference to guidelines issue by the Ministry of Health and other government agencies, to protect our employees and customers against the virus and will also closely monitor its supply chain activities.

We will review the ERM policies at least annually to ensure all relevant risks are identified, communicated and addressed timely.

	FY2021	FY2020	FY2019
No. of review performed	2	2	2

Target in FY2021	Performance in FY2021
Review the ERM policies at least twice a year	Target achieved

Target in FY2022
Review the ERM policies at least twice a year

Business Ethics

All of our employees are reminded of the importance of upholding the highest standards when it comes to business ethics. The Group regularly updates relevant employees with development in international and local regulations. Similar to FY2020, there were no significant fines or non-monetary sanctions for material non-compliance with applicable laws and regulations reported in FY2021.

Our target is to ensure all significant allegation received are promptly addressed and to maintain zero incident of material non-compliance.

	FY2021	FY2020	FY2019
No. of significant allegation received	0	0	0
No. of significant allegation received that are promptly addressed	0	0	0
No. of incident of material non-compliance with applicable laws and regulations related to business ethics	0	0	0

Target in FY2021	Performance in FY2021
Ensure all significant allegation received are promptly addressed, if any	Target achieved
Maintain zero incident of material non-compliance	Target achieved

Target in FY2022
Ensure all significant allegation received are promptly addressed, if any
Maintain zero incident of material non-compliance

Code of Conduct and Ethics

The Company's Code of Conduct for Employees ("the Code"), approved by the Board, establishes the fundamental principles of ethical and professional conduct expected of all employees of the Group in the performance of their duties.

The directors, management and other employees of the Group whose job responsibilities may give rise to conflict of interest are required to complete and submit an annual conflict of interest declaration to the Group's Human Resources Department.

Similar to the past, there were no known incidents of material non-compliance with our Code of Business Ethics and Conduct and non-discrimination in Hafary. We will ensure to maintain this record.

	FY2021	FY2020	FY2019
No. of incident of material non-compliance with our Code of Business Ethics and Conduct and non-discrimination	0	0	0

Target in FY2021	Performance in FY2021
Maintain zero incident of material non-compliance	Target achieved

Target in FY2022
Maintain zero incident of material non-compliance

GRI STANDARDS CONTENT INDEX			
Disclosure no.	Disclosure	Annual report section and page no.	Remarks
General Disclosures (GRI 102: General Disclosures 2016)			
1. Organisational Profile			
102-1	Name of the organisation	Cover page	-
102-2	Activities, brands, products, and services	Corporate profile Pg. 1 Our products Pg. 2 to 9	The Group does not sell products or services that are the subject of stakeholder questions or public debate.
102-3	Location of headquarters	Corporate profile Pg. 1 Corporate information Pg. 41	-
102-4	Location of operations	Group structure Pg. 17 Note 3A of Financial statements Pg. 88	-
102-5	Ownership and legal form	Statistics of shareholdings Pg. 133 to 134 Group structure Pg. 17 Corporate information Pg. 41	-
102-6	Markets served	Corporate profile Pg. 1 Group structure Pg. 17 Note 4E of Financial statements Pg. 93	-
102-7	Scale of the organisation	Corporate profile Pg. 1 Sustainability report Pg. 32 to 34	-
102-8	Information on employees and other workers	Sustainability report Pg. 32 to 34	-
102-9	Supply chain	Corporate profile Pg. 1	-
102-10	Significant changes to the organisation and its supply chain	-	There is no significant change to the supply chain that can cause or contribute to significant economic, environmental and social impacts.

Disclosure no.	Disclosure	Annual report section and page no.	Remarks
102-11	Precautionary Principle or approach	-	Please refer to 'Corporate Governance Statement' for the Company's approach to risk management. The Company's activities do not pose threats of serious or irreversible damage to the environment. The precautionary approach under Principal 15 of 'The Rio Declaration on Environment and Development' is not adopted.
102-12	External initiatives	Sustainability report Pg. 36	-
102-13	Membership of associations	-	• Building and Construction Authority • Singapore Business Federation
2. Strategy			
102-14	Statement from senior decision-maker	CEO's statement Pg. 10 to 11 Sustainability report Pg. 26	-
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	Sustainability report Pg. 36 to 37	-
4. Governance			
102-18	Governance structure	Corporate governance statement Pg. 42 to 63 Sustainability report Pg. 36	-
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Sustainability report Pg. 27 to 28, 30	-
102-41	Collective bargaining agreements	-	No employee of the Group is covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Sustainability report Pg. 27 to 29, 30	-
102-43	Approach to stakeholder engagement	Sustainability report Pg. 27 to 28, 30	-
102-44	Key topics and concerns raised	Sustainability report Pg. 27 to 28	-
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial statements Pg. 73 to 132 Group structure Pg. 17	-
102-46	Define report content and topic Boundaries	Sustainability report Pg. 26	-
102-47	List of material topics	Sustainability report Pg. 29 to 30	-
102-48	Restatements of information	-	No change in the preparation of sustainability report compare to previous financial year.
102-49	Changes in reporting	-	No change in the preparation of sustainability report compare to previous financial year.
102-50	Reporting period	Sustainability report Pg. 26	-
102-51	Date of most recent report	-	26 March 2021
102-52	Reporting cycle	Sustainability report Pg. 26	-
102-53	Contact point for questions regarding the report	Sustainability report Pg. 26	-
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability report Pg. 26	-
102-55	GRI content index	Sustainability report Pg. 38 to 40	-
102-56	External assurance	Sustainability report Pg. 26	

Disclosure no.	Disclosure	Annual report section and page no.	Remarks
7. Material Topics			
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Sustainability report Pg. 31	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	Sustainability report Pg. 31	
205-3	Confirmed incidents of corruption and actions taken	Sustainability report Pg. 31	
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	Sustainability report Pg. 31 to 32	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Sustainability report Pg. 33 to 34	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability report Pg. 32	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Sustainability report Pg. 35	
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability report Pg. 34 to 35	
403-5	Worker training on occupational health and safety	Sustainability report Pg. 34 to 35	
403-10	Work-related ill health	Sustainability report Pg. 35	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Sustainability report Pg. 32 to 34	
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability report Pg. 36	
GRI 419: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability report Pg. 36	

CORPORATE INFORMATION

Board Of Directors

ONG BENG CHYE
Independent Non-Executive Chairman

LOW KOK ANN
Executive Director and CEO

DATUK EDWARD LEE MING FOO, JP
Non-Independent Non-Executive Director

LOW SEE CHING
Non-Independent Non-Executive Director

CHEAH YEE LENG
Non-Independent Non-Executive Director

YONG TEAK JAN @ YONG TECK JAN
Non-Independent Non-Executive Director

TERRANCE TAN KONG HWA
Independent Director

FOO YONG HOW
Independent Director

Audit Committee

ONG BENG CHYE | Chairman

TERRANCE TAN KONG HWA

FOO YONG HOW

Nominating Committee

TERRANCE TAN KONG HWA | Chairman

ONG BENG CHYE

FOO YONG HOW

Remuneration Committee

FOO YONG HOW | Chairman

TERRANCE TAN KONG HWA

ONG BENG CHYE

Company Secretary

TAY ENG KIAT JACKSON

Registered Office/Headquarters

105 Eunos Avenue 3 | Hafary Centre | Singapore 409836
Tel: (65) 6383 2314 | Fax: (65) 6253 4496

Share Registrar

BOARDROOM CORPORATE &
ADVISORY SERVICES PTE. LTD.
1 Harbourfront Avenue | #14-07 Keppel Bay Tower |
Singapore 098632

Share Listing

HAFARY HOLDINGS LIMITED was incorporated on 6 October 2009 and listed in Catalist on 7 December 2009. The Company's listing was upgraded to the SGX Mainboard with effect from 18 June 2013.

Stock code: 5VS (SGX) HAFA.SP (Bloomberg) HFRY.SI (Reuters)

Independent Auditor

RSM CHIO LIM LLP
8 Wilkie Road | #03-08 Wilkie Edge | Singapore 228095
Partner-in-charge: Tay Hui Jun, Sabrina
Effective from reporting year ended 31 December 2021

Internal Auditor

BDO LLP
600 North Bridge Road | #23-01 Parkview Square |
Singapore 188778

Legal Advisors

TSMP LAW CORPORATION

6 Battery Road, Level 5 | Singapore 049909

Principal Bankers

DBS BANK LIMITED

MALAYAN BANKING BERHAD

RHB BANK BERHAD

UNITED OVERSEAS BANK LIMITED

The Board of Directors (the "Board") of Hafary Holdings Limited (the "Company") is committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group").

This corporate governance statement describes the Group's corporate governance framework and practices of the Company with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "Code"). Where the Company's practices vary from any provisions of the Code, the Company has provided appropriate explanations for the departures and measures that the Company has taken or intends to take for the departed practices. The Board will continue to take measures to improve compliance with the principles and provisions of the Code in the ensuing years.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1 of the Code:
Directors are fiduciaries who act objectively in the best interests of the company

The Board comprises eight (8) Directors as follows:

Mr Ong Beng Chye	Independent Non-Executive Chairman
Mr Low Kok Ann	Executive Director and Chief Executive Officer (the "Executive Director" and the "CEO")
Datuk Edward Lee Ming Foo, JP	Non-Independent Non-Executive Director
Mr Low See Ching	Non-Independent Non-Executive Director
Ms Cheah Yee Leng	Non-Independent Non-Executive Director
Mr Yong Teak Jan @ Yong Teck Jan	Non-Independent Non-Executive Director
Mr Terrance Tan Kong Hwa	Independent Director
Mr Foo Yong How	Independent Director

At least one-third of the Board is made up of Independent Directors who have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively to the Company. All Directors are expected, in the course of carrying out their duties, to act in good faith, provide insights and discharge their duties and responsibilities in the interests of the Group. The Board has adopted a Code of Conduct and Ethics for Directors ("Code of Conduct") which serves to guide the Directors on the areas of ethical risk and sets a framework where integrity and accountability are paramount as well as ethical conduct expected from the Directors in the performance of their duties. Directors should strive to adhere to the Code of Conduct and where conflict of interest arises, the concerned Directors must recuse themselves from discussions and decisions involving the matter and abstain from voting on the matter.

The Board has established the Terms of Reference of the Board to promote high standards of corporate governance. The Terms of Reference of the Board outline high level duties and responsibilities of the Board and matters that are specifically reserved for the Board. It is a comprehensive reference document for Directors on matters relating to the Board and its processes, as well as role and responsibilities of the Board, its committees and management to ensuring effective communication and decisions.

The Board's role is to:

a) Oversees the management of the Group;

b) Set strategic objectives and ensure that the necessary financial, strategies and human resources are in place for the Group to meet its objectives;

c) Delegates the formulation of business policies and the day-to-day management of the Group to the Executive Director and CEO and management to ensure operations and performance of the Group are aligned with the strategies; and

d) Consider sustainability issues, e.g. environmental and social factors as part of its strategic formulation.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects on a half-yearly basis. While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to the management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act 1967 and the Singapore Financial Reporting Standards (International).

Provision 1.2 of the Code:
Directors' duties, induction, training and development

To enable the Directors to understand the Company's business as well as their Directorship duties and roles, the Directors receive regular updates on relevant new laws and regulations from the Company's relevant advisors.

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. The orientation for new Directors includes visits to the Group's key premises to familiarise themselves with the Company's operations. Such visits also allow new Directors to get acquainted with senior management, thereby facilitating interaction with the Board and independent access to senior management. Appropriate training shall be arranged upon request by newly-appointed Directors to ensure that newly-appointed Directors are fully aware of their responsibilities and obligations as Directors. Rule 210(5)(a) of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires a Director who has no prior experience as a Director of a company listed on the SGX-ST, to attend the training programmes conducted by the Singapore Institute of Directors ("SID") as prescribed in Practice Note 2.3 of the Listing Manual of the SGX-ST. There is no new appointment in the financial year ended 31 December 2021 ("FY2021").

The Executive Director is appointed to the Board by way of a service agreement setting out the scope of his duties and obligations. The Company provides formal letters setting out the duties and responsibilities of directors to newly-appointed Directors.

The Directors have attended appropriate training on governance practices, enterprise risk management and relevant statutory and regulatory compliance issues. The Company encourages all Directors to receive regular training, particularly on new laws, regulations and commercial risk from time to time. The Directors keep themselves abreast with the changes and developments. Furthermore, the Company Secretary and outsourced secretarial agent highlight any changes to laws and regulatory requirements from time to time to the Board. The External Auditors on the other hand, brief the Board on changes to the Singapore Financial Reporting Standards (International) that affect the Group's financial statements during the period. The Board also receive regular briefings and updates on the businesses, operations and activities at the Board and Board Committees' meetings. When necessary or appropriate, the Board convenes informal meetings for exchange of views while the Independent Directors conduct discussions amongst themselves from time to time without the presence of the management.

The Group keeps the Directors informed via electronic mail and briefing conducted during Board meetings on new laws, changes to the laws, regulatory compliance issues and financial reporting standards, changes to the financial reporting standards are monitored closely by the management.

Provision 1.3 of the Code: Matters requiring Board's approval

The Company has adopted internal guidelines which set forth matters that are reserved for the Board's decision. Matters which are specifically reserved for the Board's decision include:

(a) The appointment of Directors to the Board and senior management staff;

(b) Major investments decisions of the Group, including new investments and any increase in existing investments in businesses and the subsidiaries of the Group;

(c) Any divestments to be undertaken by any of the Group's subsidiaries;

(d) Major funding decisions, including share issuances;

(e) Interim and final dividends and other returns to shareholders;

(f) Commitments to borrowing facilities from banks and financial institutions by the Company;

(g) Interested person transactions;

(h) Acquisitions and disposal of assets exceeding the limits set by the Board; and

(i) Expenditures exceeding the limits set by the Board.

The Group also has internal guidelines which set out, among others, the authorisation limits granted to the management for approval of capital and operating expenditures.

There is active interaction between Board members and Management outside of Board and Board Committee meetings. The Board has unfettered access to any Management staff for any information that it may require at all times. Likewise, Management has access to Directors outside of the formal environment of Board and Board Committee meetings for guidance. The Board and Management share a productive and harmonious relationship which facilitates separate and independent access by Directors to management executives, which is critical for good governance and organisational effectiveness.

Provision 1.4 of the Code: Board committees

Board Committees, namely Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Plan Committee have been constituted to assist the Board in the discharge of specific responsibilities (the "Board Committees"). The Board Committees review or make recommendations to the Board on matters within their specific Terms of Reference.

Board meetings are conducted on a half-yearly basis and ad-hoc meetings are held whenever the Board's guidance or approval is required.

Dates of Board, Board Committees and annual general meeting are scheduled in advance in consultation with the Directors to assist them in planning their attendance. Pursuant to the Company's Constitution, a Director who is unable to attend a Board meeting in person can still participate in the meeting via telephone conference, video conference or other similar communication. Technology is effectively used in the Board and Board Committees' meetings and in communication with the Board, where the Directors may receive agenda and meeting materials online such as email and participate in meetings via audio or video conferencing. Management is often invited to be present and provide detailed explanation on any agenda at Board meetings.

Due to the COVID-19 situation, the Company has conducted meetings via electronic means as much as possible.

Provision 1.5 of the Code:
Attendance and participant of the Directors and time commitment

Attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2021 ("FY2021") is as follows:

	Board Committees			
	Board	**AC**	**NC**	**RC**
Number of scheduled meetings held	2	2	1	1
Name of Directors				
Mr Ong Beng Chye	2	2	1	1
Mr Low Kok Ann	2	2*	1*	1*
Mr Low See Ching	2	2*	1*	1*
Datuk Edward Lee Ming Foo, JP	2	2*	1*	1*
Ms Cheah Yee Leng	2	2*	1*	1*
Mr Yong Teak Jan @ Yong Teck Jan	2	2*	1*	1*
Mr Terrance Tan Kong Hwa	2	2	1	1
Mr Foo Yong How	2	2	1	1

Note:
* Attended by invitation

Important matters concerning the Group can also be put to the Board and Board Committees for decision by way of written resolutions.

Provision 1.6 of the Code:
Complete, adequate and timely information prior to make informed decisions

The management recognises that the flow of complete, adequate and timely information on an on-going basis to the Board is essential to the Board's effective and efficient discharge of its duties.

The management has provided the Board in advance with unaudited financial statements, before announcement of our Group's half yearly and full year results, its annual budget and relevant background information and materials relating to the matters that were discussed at Board meetings. This enables the discussion during the meetings to focus on questions that Directors may have. Any additional materials or information requested by the Directors is promptly furnished. During the Board meetings, management staff who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentations and answer any queries from the Directors.

Provision 1.7 of the Code:
Separate and independent access to management, company secretary and external advisers; Appointment and removal of the company secretary

The Directors have separate and independent access to the Management, the company secretary, and external advisers.

The Board takes independent professional advice as and when necessary concerning any aspect of the Group's operations or undertakings in order to discharge its responsibilities effectively. Any cost of obtaining professional advice will be borne by the Company.

The role of the Company Secretary is clearly defined and includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The responsibilities of the Company Secretary include:

(a) Administers, attends and prepares minutes of all Board and Board Committees meetings;

(b) Assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and Listing Manual of the SGX-ST;

(c) Advises the Board on all corporate governance matters;

(d) Assists the Independent Non-Executive Chairman in ensuring good information flows within the Board, Board Committees and between the management and the Independent Directors; and

(e) Communication channel between the Company and SGX-ST. The Company Secretary attends all Board and Board Committees meetings and is responsible to ensure that Board procedures are followed.

The appointment or removal of the Company Secretary is subject to the approval of the Board as a whole.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 of the Code: Director's Independence

There is a strong independent element on the Board with Independent Directors constituting at least one-third of the Board. Currently, the Board consists of eight Directors of whom three are independent.

Provision 2.2 of the Code: Independent Directors make up a majority of the Board

Provision 2.3 of the Code: Non-executive Directors make up a majority of the Board

The Company is not required to have at least half the Board as Independent Directors as the Chairman is an Independent Director.

Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa were first appointed on 10 November 2009. Mr Foo Yong How was appointed on 9 July 2020. Each Independent Director was required to complete a confirmation of independence, drawn up according to the guidelines stated in the Code, to confirm his independence. The Independent Directors shall disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgement. The independence of each Director is reviewed annually by the NC. Based on the annual review of the independence of the Independent Directors according to the guidelines stated in the Code, the NC has ascertained that all Independent Directors are independent. Each member of the NC abstained from reviewing his own independence as an Independent Director.

As at the end of FY2021, Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa have served on the Board beyond nine years from the date of their first appointment. The NC and the Board have conducted a rigorous review of their independence and contributions to the Board to determine if they still remained independent and carry out their duties objectively. Under such rigorous review, each Independent Director has confirmed that neither he nor any of his immediate family has any relationship or business dealings with a controlling shareholder, Director or key management personnel or their associates that would give rise to a conflict of interest or impairment of the Independent Director's independence. The NC and the Board are of the view that Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa possess valuable experience and knowledge, as well as maintained their objectivity and independence at all times in the discharge of each of their duties as an Independent Director of the Company.

Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa's continued appointment as Independent Directors have been sought and approved in separate resolutions by (i) all shareholders and (ii) shareholders, excluding the Directors and CEO at the AGM held on 14 April 2021, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. The resolutions will remain in force until the earlier of: (i) Mr Ong Beng Chye and/or Mr Terrance Tan Kong Hwa's retirement or resignation as Independent Directors; or (ii) the conclusion of the third AGM of the Company following the passing of the resolutions in relation to their continued appointments.

Provision 2.4 of the Code: Composition and size of the Board and Board Committees, Board diversity policy

The Company has in place the Board Diversity Policy with a view to achieving a sustainable and balanced development as the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition and selection of new Board members, the Board strives to ensure that:

(a) All candidates are included for consideration during the search for new appointments to the Board regardless of gender, age, nationalities or ethnicity;

(b) There is appropriate mix of gender representation on the Board, taking into account the skills and experience the candidates can contribute; and

(c) External search consultants when looking for suitable candidates for appointment to the Board will be specifically directed to include diverse candidates and women candidates in particular.

The Board has examined its size and is of the view that it is an appropriate size for efficient and effective decision-making, taking into account the scope and nature of the operations of the Company. The Board currently comprises one female Director, namely, Ms Cheah Yee Leng. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

The Company has a good balance of Directors with a wide range of skills, experience and qualities in the fields of operations, management, financial, legal and accounting.

Each Director has been appointed on the strength of his or her calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. Each Director brings valuable insights from different perspectives, such as strategic planning, management, finance, accounting and legal, vital to the strategic interests of the Company. Profiles of the Directors are found in the "Board of Directors" section of the Annual Report. The Board considers that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, gender, knowledge and competencies to provide the management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

Provision 2.5 of the Code:
Independent Directors meet regularly without the presence of the Management

To facilitate a more effective check on the management, the Independent Directors meet at least once a year, each with the Group's Internal and External Auditor without the presence of the management. Where necessary, the Company co-ordinates informal meeting sessions for Non-Executive Directors and Independent Directors to meet without the presence of the management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 of the Code:
Chairman and CEO should be separate persons

The Chairman and CEO are separate persons and not related to each other.

Provision 3.2 of the Code:
Division of responsibilities between the Chairman and the CEO

The roles of the Chairman and the CEO have been clearly separated, each having their own area of responsibilities. The Board establishes the division of responsibilities between the Chairman and the CEO.

The Independent Non-Executive Chairman, Mr Ong Beng Chye, ensures that corporate information is adequately disseminated to all Directors in a timely manner to facilitate the effective contribution of all Directors. He promotes a culture of openness and debate at the Board and ensures that adequate time is allocated for discussion of all strategic issues. The Independent Non-Executive Chairman is assisted by the Board Committees and the Internal Auditor who report to the AC in ensuring compliance with the Company's guidelines on corporate governance.

The CEO, Mr Low Kok Ann, is responsible for the overall management, operations and charting the corporate and strategic direction, including our sales, marketing and procurement strategies.

Provision 3.3 of the Code:
Lead Independent Director

The Group's Independent Non-Executive Chairman, Mr Ong Beng Chye is also the Lead Independent Director. As Lead Independent Director, he coordinates sessions for the Independent Directors to meet without the presence of other Directors, if required. As both the Lead Independent Director and Non-Executive Chairman, he is available to shareholders through the normal channels when they have concerns.

Principle 4 of the Code: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 of the Code:
NC to recommend to the Board on relevant matters

Provision 4.2 of the Code:
Composition of the NC

The NC comprises Mr Terrance Tan Kong Hwa, Mr Ong Beng Chye and Mr Foo Yong How, all of whom are Independent Directors. The Chairman of the NC is Mr Terrance Tan Kong Hwa.

The key Terms of Reference of the NC are as follows:

(a) Review the Board and Board Committees structure, size, and composition annually;

(b) Identify suitable candidate and review all nominations on appointment and re-appointment of Directors;

(c) Determine annually whether or not a Director is independent, guided by the independent guidelines contained in the code;

(d) Develop a performance evaluation framework for the Board, the Committee and Individual Directors, and proposing objective performance criteria to assess the effectiveness of the Board, the Committee and Individual Directors;

(e) Review and decide if a Director, who has multiple board representations on publicly listed companies, is able to and has been adequately carrying out his/her duties as a Director of the Company;

(f) Review and recommend training and professional development programme for the Board;

(g) Assess whether each director is able to and has been adequately carrying out his duties as Director of the Company;

(h) Review of succession plans for Directors, CEO and key management personnel of the Company; and

(i) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual of the SGX-ST.

Pursuant to Article 104 of the Company's Constitution, at least one-third of the Company's Directors shall retire from office by rotation at every Annual General Meeting ("AGM") of the Company. The retiring Directors shall be eligible for re-election pursuant to Rule 720(5) of the Listing Manual of the SGX-ST, every Director must submit themselves for re-nomination and re-appointment at least once every three years.

The NC has recommended to put forward the following at the forthcoming AGM:

(a) Re-election of the following Directors pursuant to Article 104 of the Company's Constitution and/or Rule 720(5) of the Listing Manual of the SGX-ST:

Mr Low See Ching ;
Mr Terrance Tan Kong Hwa; and
Ms Cheah Yee Leng.

The Board has accepted the NC's recommendations of the above re-elections of Directors and Mr Low See Ching, Mr Terrance Tan Kong Hwa and Ms Cheah Yee Leng have offered themselves for re-election at the forthcoming AGM. Please refer to "Board of Directors" and "Additional Information on Directors Seeking Re-election" sections of the Annual Report for details and information of the above Directors.

Provision 4.3 of the Code:
Process for the selection, appointment and re-appointment of Directors

When the need for a new Director to replace a retiring Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria. Candidates would first be sourced through an extensive network of contacts and identified based on the needs of the Group and relevant expertise and experience required. The NC may engage recruitment consultants to undertake research on or assess candidates for new position on the Board, or to engage such other independent experts, if necessary. After the Board has interviewed the candidates, the NC would further shortlist and recommend the candidates for appointment to the Board. The Board has the final discretion in appointing new Directors.

The NC recommends the appointment and re-election of Directors to the Board for approval based on the following criteria:

(a) Expertise and experience of the candidate and whether they have discharged their duties adequately as Directors of the Company, officers of other companies and/or professionals in the area of expertise;

(b) Independence of the candidate (for Independent Directors);

(c) Appointment or re-appointment will not result in non-compliance with any composition requirements for the Board and Board Committees; and

(d) Whether the candidate is a fit and proper person in accordance with Monetary Authority of Singapore's ("MAS") fit and proper guidelines, which broadly take into account the candidate's honesty, integrity and reputation; his or her competence and capability; and financial soundness.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

The Board of the Company does not comprise any alternate Director. No alternate Director was appointed throughout during FY2021.

Provision 4.4 of the Code:
Circumstances affecting Directors' Independence

Having regard to the circumstance sets set forth in Provision 2.1 of the Code, the Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board pursuant to section 156 of the Companies Act 1967.

The NC is responsible for determining annually whether or not a Director is independent for purpose of the Code. Each Independent Director is required to complete a confirmation of independence, drawn up according to the guidelines stated in the Code, to confirm his independence. He is required to disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgement. Based on the annual review of the independence of the Independent Directors according to the guidelines stated in the Code, the NC ascertained that all Independent Directors are independent for the purpose of the Code. Each member of the NC shall abstain from reviewing his own independence as an Independent Director.

Provisions 1.5 and 4.5 of the Code:
Multiple listed company directorship and other principal commitments

When a Director has multiple listed company directorships and other principal commitments, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company.

The NC believes that putting a maximum limit on the number of directorships a Director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The NC is satisfied that sufficient time and attention were given by the Directors to the affairs of the Company during FY2021, notwithstanding that they hold directorships in other listed companies and have other principal commitments, and will continue to do so in FY2022.

The list of directorships held by Directors presently or in the preceding three years in other listed companies, and other principal commitments are set out in the "Board of Directors" section of the Annual Report.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each its board committees and individual Directors.

Provision 5.1 and 5.2 of the Code: Assessment of effectiveness of the Board and Board committees and assessing the contribution by the Chairman and each Director

The NC is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Directors on a yearly basis. The performance evaluation framework is in the form of assessment questionnaires and the evaluation covers amongst others, Board and Board Committees' compositions, processes in managing the Group's performance, effectiveness of the Board, Board Committees as well as conduct, mix of skills, knowledge, competencies and contribution of each Director to the Company in discharging their function.

The questionnaires are completed by the members of the Board and Board Committees and each Director for self-assessment. The completed questionnaires are collated by the Company Secretary for deliberation by the NC. The NC led by its Chairman, reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement as well as for them to form the basis of recommending relevant Directors for re-election at the AGM. The Chairman will act on the results of the performance evaluation and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

During the FY2021, the NC met once and assessed the Board, Board Committees and individual Directors. The NC was satisfied with the outcome of the evaluations and both the NC and the Board are of the view that the Board has met its performance objectives for FY2021. No external facilitator was engaged in the performance assessment.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director should be involved in deciding his or her own remuneration.

Provision 6.2 of the Code: Composition of RC

The RC comprises Mr Foo Yong How, Mr Ong Beng Chye and Mr Terrance Tan Kong Hwa, all of whom are non-executive and Independent Directors. The Chairman of the RC is Mr Foo Yong How.

Provision 6.1 of the Code: RC to recommend remuneration framework and packages

The key Terms of Reference of the RC are as follows:

(a) Review and recommend to the Board a general framework of remuneration for the Board and key management personnel;

(b) Review and recommend to the Board the specific remuneration packages for each Director and key management personnel;

(c) Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;

(d) Determine the appropriateness of the remuneration of Non-Executive Directors taking into consideration their effort, time spent, responsibilities and level of contribution;

(e) Review the ongoing appropriateness and relevance of the Company's remuneration policy;

(f) Administer the Hafary Performance Share Plan ("Hafary PSP") and any other share option scheme established from time to time for the Directors and the management;

(g) Work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and

(h) Generally undertake such other functions and duties as may be required by the Board under the Code, statute or SGX Listing Rules (Mainboard).

The recommendations of the RC shall be submitted for endorsement by the Board. The RC covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, grant of shares and share options and benefits-in-kind. Each RC member shall abstain from voting on any resolutions in respect of his remuneration package.

Provision 6.3 of the Code:
RC to consider and ensure all aspects of remuneration are fair.

The RC is responsible for all aspects of remuneration, including termination terms.

The Non-Executive Directors and Independent Directors do not have service agreements with the Company. The Non-Executive Directors and Independent Directors received Directors' fees which are recommended by the Board for approval at the Company's AGM.

The Executive Director and CEO does not receive Director's fees and is paid based on his Service Agreement with the Company. In setting the remuneration packages of the Executive Director and CEO, the Company takes into account the performance of the Group and that of the Executive Director and CEO which is aligned with long term interest of the Group. The RC has reviewed and approved the Service Agreement of the Executive Director and CEO which is valid for 3 years. The Service Agreement entered into between the Executive Director and CEO and the Company was renewed on 22 February 2022. The RC is of the view that the Service tenure of the current Service Agreement is not excessively long and there are no onerous termination clauses.

The amount of variable bonus payment (i.e. performance bonus) for a particular financial period is dependent on the amount of the Group's profit before income tax achieved as set out below:

Profit before income tax ("PBT")	**CEO**
Up to S$3 million	1.5%
Above S$3 million and up to S$5 million	S$45,000 plus 3.0% of PBT in excess of S$3 million
Above S$5 million	S$105,000 plus 4.5% of PBT in excess of S$5 million

The Board is of the view that this quantitative criterion is able to align the Executive Director's interests with shareholders' interests.

Key management personnel's remuneration is set in accordance with a remuneration framework comprising basic salary (including a variable bonus and benefits-in-kind).

Provision 6.4 of the Code:
Expert advice on remuneration

The RC members are familiar with management compensation matters as they manage their own businesses and/or are holding Directorships in other listed companies. If necessary, the RC may seek professional advice on remuneration of all Directors. During FY2021, no external remuneration consultants were engaged.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 and 7.3 of the Code:
Executive Directors and key management personnel's remuneration to be linked to corporate and individual performance and aligned with interests of shareholders; Remuneration is appropriate to provide good stewardship and promote long-term success of the Company

Remuneration of the Executive Director and CEO and Group's key management personnel comprise a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component which comprises bonuses is linked to the performance of the Company and the individual. In FY2021, variable or performance related income/bonus made up between 13% to 71% of the total remuneration of the Executive Director and CEO and each of the Group's key management personnel. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholder value creation.

In setting remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated as compared to the market employment conditions. The RC also ascertained that Independent Directors are not overly-compensated to the extent that their independence may be compromised.

The Service Agreement of the Executive Director and CEO contains clauses to allow the Company to reclaim variable components of remuneration in exceptional circumstances.

Long term incentive schemes are provided in the form of Hafary PSP for eligible employee. Details of the Hafary PSP are disclosed in the Statement by Directors and in this Statement. During FY2021, no performance shares were granted, vested or cancelled under the Hafary PSP.

Provision 7.2 of the Code:
Remuneration of non-executive Directors dependent on contribution, effort, time spent and responsibilities

None of the Non-Executive Directors and Independent Directors have service agreements with the Company or receive any remuneration from the Company. They are paid Directors' fees, which are determined by the Board based on their contribution, effort, time spent and responsibilities. The Directors' fees are subject to approval by the Shareholders at each AGM. Currently, the Company does not have any scheme to encourage Non-Executive Directors and Independent Directors to hold shares in the Company.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 of the Code:
Remuneration of Directors and key management personnel

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the key management personnel (who are not Directors or the CEO of the Company). The Board is of the view that matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Corporate Governance Statement and in the financial statements of the Company.

There are no termination, retirement and post-employment benefits granted to Directors, the Executive Director and CEO or the top five key management personnel. Short-term incentives granted to the Executive Director and CEO and key management personnel takes the form of an annual variable bonus payment and is linked to the performance of the Company and the individual.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, the chief executive officer and key management personnel should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the chief executive officer should specify the names, amounts and breakdown of remuneration.

This Annual Report discloses (i) the names, amounts and a breakdown of the remuneration of each director of the Company in bands of S$250,000, including a percentage breakdown of the variable and fixed remuneration received by our Executive Director and CEO; (ii) how the Executive Director and CEO's remuneration package is aligned with interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration which is in the form of a cash bonus linked solely to the Group's profit before income tax for a particular financial period; and (iii) the names, amount and breakdown of its top five key management personnel in percentage bands no wider than S$250,000, and the variable component of the remuneration and in aggregate the total remuneration paid to these key management personnel.

The Board is of the view that (a) the current disclosure is a good indication of the Executive Director and CEO's remuneration package and provides sufficient insights as to the Company's remuneration policies; and (b) full disclosure of the specific remuneration of each individual Director and the key management personnel is not in the best interests of the Company or its stakeholders.

In arriving at this decision, the Board had taken into consideration, *inter alia*:

(a) the commercial sensitivity and confidential nature of remuneration matters;

(b) the rationale for the existing disclosure of remuneration of the top five key management personnel (who are not Directors) of the Group in bands of S$250,000 – the Company does not disclose the aggregate remuneration paid to each of such individuals in view of the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group; in addition, such disclosure of specific remuneration information may encourage inappropriate peer comparisons and discontent and may, in certain cases, give rise to recruitment and talent retention issues – this rationale would equally apply to the disclosure of the aggregate remuneration paid to our Executive Director and CEO;

(c) the existing disclosure relating to how the Executive Director and CEO's remuneration package is aligned with the interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration; and

(d) the relative size of the Group, the competitive business environment in which the Group operates in, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level and key management personnel level on a long-term basis.

Additionally, based on a comparison against a peer group of listed companies in the same industry over a multi-year period, where the peer group remains constant from year to year, the Board believes that the remuneration of the Non-Executive Directors and the Executive Director, being the CEO, is in line with industry practice.

A breakdown showing the band and mix of each Director's remuneration for the FY2021 is as follows:

Remuneration band and name of Director	Directors' fee (%)	Salary, CPF and allowance (%)	Variable or performance related bonus (%)	Total (%)
S$750,000 to S$999,999				
Mr Low Kok Ann	–	29	71	100
Below S$250,000				
Datuk Edward Lee Ming Foo, JP	100	–	–	100
Mr Low See Ching	100	–	–	100
Ms Cheah Yee Leng	100	–	–	100
Mr Yong Teak Jan @ Yong Teck Jan	100	–	–	100
Mr Ong Beng Chye	100	–	–	100
Mr Terrance Tan Kong Hwa	100	–	–	100
Mr Foo Yong How	100	–	–	100

A breakdown showing the band and mix of remuneration of each top 5 key management personnel's (who are not Directors or CEO of the Company) for FY2021 is as follows:

Remuneration band and name of key management personnel	Fixed salary (%)	Variable or performance-related bonus (%)	Total (%)
S$250,000 to S$499,999			
Mr Goh Keng Boon Frank	76	24	100
Mr Tay Eng Kiat Jackson	81	19	100
Below S$250,000			
Mr Tay Chye Heng Stephen	87	13	100
Mr Koh Yew Seng Mike	82	18	100
Mr Cheong Ching Hing Simon	87	13	100

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO of the Company) for FY2021 was S$1,077,000.

Provision 8.2 of the Code:
Remuneration disclosure of related employees

During FY2021, the Group did not have any employees with remuneration exceeding S$100,000, who (i) is a substantial shareholder of the Company; or (ii) is an immediate family member of a Director or the CEO, or a substantial shareholder of the Company.

Provision 8.3 of the Code:
Details of employee share schemes

The Hafary PSP is intended to give the Company greater flexibility in tailoring reward and incentive packages for its Directors and employees, the ("Participants") and aligning their interest with those of the Company's shareholders.

Share awards (each an "Award") granted under the Hafary PSP will be principally (i) performance-based and (ii) loyalty based. The performance targets to be set are intended to be broad-based and shall take into account both the medium- term corporate objectives of the Group and the individual performance of the Participant. The medium-term corporate objectives include market competitiveness, quality of returns, business growth and productivity growth. The performance targets set are based on medium-term corporate objectives, which include revenue growth, growth in earnings and return on investment. Additionally, the Participant's length of service with the Group, achievement of past performance targets, extent of value-adding to the Group's performance and development and overall enhancement to Shareholder value, inter alia, will be taken into account. The Hafary PSP may also have an extended vesting period, that is, the Awards will also incorporate a time-based service condition, to encourage Participants to continue serving the Group beyond the achievement date of the pre- determined performance targets.

The Hafary PSP was approved by the shareholders of the Company at the AGM held on 25 October 2013, and is administered by the Plan Committee, comprising the Remuneration Committee and the Executive Director and CEO authorised and appointed by the Board. The Hafary PSP shall be in force at the discretion of the Plan Committee, subject to a maximum period of 10 years commencing 25 October 2013.

Members of the Plan Committee:

Mr Foo Yong How	Chairman
Mr Ong Beng Chye	Member
Mr Terrance Tan Kong Hwa	Member
Mr Low Kok Ann	Member

Participants in the Hafary PSP will receive awards which represent the right to receive fully paid shares of the Company free of charge, upon satisfying certain Performance Conditions (as determined at the discretion of the Plan Committee) and provided that the relevant Participant has continued to be a Group Executive (as defined under the Hafary PSP) from the Award Date up to the end of the Performance Period. Employees who are Controlling Shareholders or Associates of Controlling Shareholders shall not participate in the Hafary PSP.

During FY2021, no Awards were granted, vested and cancelled under the Hafary PSP.

The number of performance shares vested at the vesting date are dependent on the level of achievement against the pre-set performance conditions and targets.

As at the date of this Annual Report, no Awards were released and no Awards were granted to the Independent Directors of the Company. No Awards were granted to any Directors of the Company, controlling shareholders and their associates pursuant to the vesting of the Awards under the Hafary PSP. No employee in the Group has received shares which, in aggregate, represent 5% or more of the aggregate of the total number of shares available under the Hafary PSP.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 of the Code:
Board determines the nature and extent if the significant risks

The Board determines the nature and extend of the risks which the Company is willing to take in achieving its objectives and value creation. The Board is assisted by a separate Enterprise Risk Management Committee in carrying out its responsibility of overseeing the Company's risk management framework and policies.

The Company is committed to managing all risks in a proactive and effective manner. This requires high quality risk analysis to inform management decisions taken at all levels within the Group. Risk analysis and management is undertaken within the Group as a source of sustainable business benefits and competitive advantage. Managing threats and maximising opportunities will ensure that business objectives are met in the most effective way possible, leading to increased value for the business and its stakeholders.

The Company has internal processes to determine the level of risk tolerance and ensure the consistency and quality of risk analysis and management. The process includes six elements:

(a) Establishing the context;

(b) Risk identification;

(c) Risk prioritisation;

(d) Risk mitigation;

(e) Risk reporting; and

(f) Risk updates.

The purpose of engaging in such a process is to ensure that the goals and objectives of the corporate strategy of the Group are achieved.

The Group's Internal Auditor, BDO LLP, carry out internal audit on the system of internal controls and report the findings to the AC. The Group's External Auditor, RSM Chio Lim LLP, have also carried out, in the course of their statutory audit, an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the Internal and External Auditor and will ensure that the Company follows up on the Auditors' recommendations raised during the audit process.

The financial statements for the year were audited by RSM Chio Lim LLP and the AC has recommended to the Board that RSM Chio Lim LLP be nominated for re-appointment as Independent Auditor of the Company at the forthcoming AGM.

The Board conducted a review and assessment of the adequacy and effectiveness of the Company's risk management and internal control systems including financial, operational, compliance and information technology controls. The assessment was made by discussions with the management of the Company.

Provision 9.2 of the Code: Assurance from CEO, CFO and other key management personnel

The Board also received assurance from the Executive Director and CEO, the Group's Chief Operating Officer ("COO") and the Group's Financial Controller that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, regular audits, monitoring and reviews performed by the Internal and External Auditor, review of the risk assessment reports, assurance from the Executive Director and CEO, the Group's COO and Group's Financial Controller and reviews performed by the management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls (including financial, operational, compliance risks and information technology controls) and risk management systems in place are adequate and effective in addressing the financial, operational, compliance risks and information technology risks as at 31 December 2021 which the Group considers relevant and material to its current business scope and environment.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal controls system.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1 and 10.2 of the Code: Duties and composition of the AC

The Audit Committee ("AC") comprises Mr Ong Beng Chye, Mr Terrance Tan Kong Hwa and Mr Foo Yong How, all of whom are Independent Directors. The Chairman of the AC is Mr Ong Beng Chye.

The Board is of the opinion that at least 2 members of the AC, including the AC Chairman, possess the recent and related accounting or related financial management qualifications, expertise and experience in discharging their duties.

The key Terms of Reference of the AC are as follows:

(a) Review the financial statements and the independent auditor's report on those financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(b) Review assurance from the Executive Director and CEO and the Group's Financial Controller on the financial records and financial statement and assurance from Executive Director and CEO and other key management personnel who are responsible on the adequacy and effective of the risk management and internal control systems;

(c) Review the adequacy and effective of the Company's risk management and internal control in relation to financial reporting other financial-related risk and controls and report to the Board;

(d) Review with the Internal Auditor the internal audit plan and their evaluation of the adequacy and effectiveness of the internal controls and accounting system before submission of the results of such review to the Board;

(e) Review with the External Auditor the audit plan, their evaluation of the Company's internal accounting controls that are relevant to their statutory audit and their audit report; Report to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;

(f) Ensure co-ordination between the External Auditor and Internal Auditor and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

(g) Review and discuss with External and Internal Auditor (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and management's response;

(h) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the External Auditor;

(i) Review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(j) Review and ensure proper disclosure and reporting in the annual report on related party transactions as required by the accounting standards;

(k) Oversee the establishment and operation of the whistle-blowing processing in the Company;

(l) Review any potential conflicts of interest;

(m) Undertake such other functions and duties as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of our AC; and

(n) Generally undertake such other functions and duties as may be required by the Board under the Code of Corporate Governance 2018, statute or SGX Listing Rules (Mainboard) and Companies Act 1967 of Singapore.

The AC also has the power to conduct or authorise to investigate any matter within its Terms of Reference, and has full access to, and cooperation of, the management. The AC has full discretion to invite any Director or management staff to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the Independent Auditor.

The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular transaction.

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements. The AC also reviews the adequacy and effectiveness of the Company's internal controls and effectiveness of the Company's internal audit function as set out in the guidelines stated in the Code. The services of the Internal Auditor are utilised to assist the AC in the discharge of its duties and responsibilities.

The AC will review, at least annually, the Group's key financial risk areas (including but not limited to, the Group's cash management policies and cash position, collection of debts, hedging policies and foreign currency transactions (if any) and off-balance sheet items (if any) with a view to providing an independent oversight on the Group's financial reporting. Where the findings are material, the outcome of these reviews will immediately be announced via SGXNet and disclosed in the annual report of the Group.

The AC has reviewed all non-audit services provided by the External Auditor. The aggregate amount of fees paid/payable to the External Auditor for FY2021 audit and non-audit services are S$208,000 and S$37,000 respectively.

The AC, having considered the nature of services rendered and related charges by the External Auditor, is satisfied that the independence of the External Auditor is not impaired.

The Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its independent auditors.

Provision 10.3 of the Code:
AC does not comprise former partner or Directors of the Company's auditing firm

None of the members of the AC was a former partner or Director of RSM Chio Lim LLP, the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner or Director of the auditing firm or auditing corporation and none of the AC members have any financial interest in the auditing firm or auditing corporation.

Provision 10.4 of the Code:
Primary reporting line of the internal audit function is to AC; internal audit function has unfettered access to Company's documents, record, properties and personnel

The Group outsources its internal audit function to BDO LLP, an international auditing firm, to review key business processes of the Company and its key subsidiaries. The primary reporting line of the Internal Auditor function is to AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company. The AC approves the hiring, removal, evaluation and compensation of the Internal Auditor.

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the Internal Audit is independent, adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced and has the appropriate standing in the Company to discharge its duties effectively.

Provision 10.5 of the Code:
AC to meet auditors without the presence of management annually

The AC meets with the Group's Internal Auditor and External Auditor without the presence of the management at least once a year. Such meeting enables the Internal Auditor and External Auditor to raise any issue encountered in the course of their work directly to the AC. For FY2021, the AC met once with the Internal Auditor and External Auditor, each without presence of the management.

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2021, the AC has discussed with the management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements. The following significant matters impacting the financial statements were discussed with the management and the External Auditor and were reviewed by the AC. The External Auditor has included these 2 significant matters as their key audit matters in the independent auditor's report for the FY2021. Please refer to Independent Auditor's Report in Financial Statements FY2021.

Key audit matters	How the matters were addressed by the AC
Assessment of expected credit loss allowance on trade receivables	Net trade receivables amounted to S$29.5 million as at 31 December 2021. The AC considered management's approach, methodology and judgement pertaining to revenue recognition and the estimate of trade receivables impairment allowance. The AC also considered the observations and findings presented by the External Auditor with reference to the payment track records of trade debtors and adequacy of allowance for impairment of trade receivables. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of trade receivables is adequately made as at 31 December 2021 and the relating disclosures in the financial statements are appropriate.
Assessment of impairment allowance on inventories	Net inventories amounted to S$46.2 million as at 31 December 2021. The AC considered management's approach, methodology and judgement applied to the estimate of impairment allowance for slow-moving and obsolete inventories. The AC also considered the observation and findings presented by the External Auditor with reference to the adequacy of allowance for impairment of inventories. The above procedures provided the AC with the assurance and the AC concurred with the management's conclusion that allowance for impairment of inventories is adequately made as at 31 December 2021.

WHISTLE-BLOWING POLICY

The Company has in place a whistle-blowing policy where staff of the Company and any other persons can have access to the AC Chairman and members. All concerns about possible improprieties in financial reporting and other matters would be channelled to the AC Chairman and members. The Company will treat all information received confidentially and protect the identity and the interests of all whistle-blowers against detrimental or unfair treatment.

A whistle-blower email address is created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policy and arrangements have been made available to all employees of the Company and is published on the Company's website (http://www.hafary.com.sg/investor_relations/policies).

The AC shall commission and review the findings of internal investigations in matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

As at date of this report, there were no reports received through the whistle-blowing mechanism.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 of the Code:
The Company provides shareholders with the opportunity to participate effectively and vote at general meetings

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The financial results for the half-yearly and full year are released to shareholders via SGXNet within 45 and 60 days of the half-yearly date and full year-end date respectively.

Notices of general meetings are dispatched to shareholders, together with the annual report and/or circulars within the time notice period as prescribed by the regulations. At general meetings, shareholders will be given opportunities to voice their views and direct their questions to the Board regarding the Company.

The timely release of financial information and general meeting notice and circulars enables shareholders to prepare and participate effectively and vote at general meetings.

Shareholders will also be briefed during the general meetings on voting procedures of the general meetings. Due to COVID-19 restriction orders in Singapore, Annual General Meeting for the financial year ended 31 December 2020 ("2021 AGM") was held by way of electronic means via live webcast pursuant to the COVID-19 (Temporary Measures Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. To enable the members to participate at the 2021 AGM and exercise their votes effectively, instructions on how to register, participate, pose their questions, submission of proxy form, vote and etc relating to the 2021 AGM were published on the SGXNet and Company's website.

At the 2021 AGM, the Chairman was appointed as the proxy to vote according to the members' instructions. The Chairman briefed the procedure to be followed by the shareholders even though the 2021 AGM was conducted by electronic means via live webcast and all resolutions were deemed proposed and seconded.

In view of the current COVID-19 situation in Singapore, the forthcoming AGM will also be held by electronic means Similarly to 2021 AGM, alternative arrangements relating to attendance at the forthcoming AGM, (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman in advance of the AGM, addressing of substantial and relevant questions prior to and/or at the AGM and voting by appointing the Chairman as proxy at the AGM will also be put in place for the forthcoming AGM.

Provision 11.2 of the Code:
Separate resolutions on each substantially separate issue

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and agrees to the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

Provision 11.3 of the Code:
All Directors attend general meetings of shareholders

All Directors, including the Independent Non-Executive Chairman of the Board, and various Board Committees, attend the general meetings to address shareholders' queries and receive feedback from shareholders. The External Auditor, RSM Chio Lim LLP, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

Provision 11.4 of the Code:
Company's Constitution allow for absentia voting of shareholders

The Company's Constitution allows a member entitled to attend and vote to appoint not more than 2 proxies to attend and vote instead of the member and also provides that the proxy need not be a member of the Company. Voting in absentia by mail, email or fax is currently not permitted to ensure proper authentication of the identity of the shareholders and their voting intentions.

Provision 11.5 of the Code:
Minutes of general meetings are published on Company's corporate website as soon as practicable

Minutes of general meetings which include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and responses from the Board and the management were taken. Minutes of general meetings would be available to shareholders upon their written request.

In regard to the 2021 AGM, the minutes were published on the SGXNet and the Company's website within the prescribed timeline set by the SGX-ST and all questions received from the shareholders and answers were also published on the SGXNet and the Company's website ahead of the 2021 AGM.

Voting at the general meeting will be by way of poll pursuant to Rule 730A(2) of the Listing Manual of the SGX-ST. Announcement on the poll results (showing the number of votes cast for and against each resolution and the respective percentages) will be released after the meeting via SGXNet.

All resolutions tabled at the 2021 AGM were conducted by poll pursuant to Listing Manual of the SGX-ST and counted by the Polling Agent as well as verified by the Scrutineer ahead of 2021 AGM. The poll results were announced by the Company via SGXNet on the same day for the benefit of all shareholders.

Provision 11.6 of the Code:
Dividend policy

The Company does not have a formal dividend policy. The form, frequency and amount of future dividend of the Company's shares will depend on the earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

Any dividend payments are clearly communicated to shareholders via announcements on SGXNet. During FY2021, the Company had declared and paid one interim dividend (tax exempt one-tier) totalling 0.75 Singapore cent per ordinary share. The Board has also proposed a final dividend of 0.75 Singapore cent per ordinary share for approval by the shareholders at the forthcoming AGM.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilities the participation of shareholders during general meeting and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1 of the Code:
Company provides avenues for communication between the Board and shareholders and disclose in its annual report to steps taken to solicit and understand the views of shareholders

Provision 13.3 of the Code:
Corporate website to engage stakeholders

The Board is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the Listing Manual of SGX-ST and the Singapore Companies Act 1967. Information is communicated to shareholders on a timely basis through:

(a) Announcements and press releases via SGXNet;

(b) Company's website (www.hafary.com.sg); and

(c) Annual reports

The Company recognises that open communication is essential and has established an investor relations policy for communicating with shareholders and other audiences in the finance and investment community. This policy aims to ensure that relevant information about the Group's activities is communicated to legitimately interested parties subject to any overriding considerations of business confidentiality and cost. The investor relations policy is available at the Company's website (http://www.hafary.com.sg/investor_relations/policies).

Provision 12.2 and 12.3 of the Code:
Board to maintain regular dialogue with shareholders;
Board to disclose the steps taken to solicit and understand shareholders' views

The Group has in place an investor relations policy, which is overseen by the Group's Chief Operating Officer. The management regularly communicates with the analysts and shareholders through email, telephone or face-to-face dialogues to update them on the latest corporate development and address their queries throughout the year.

The Company provided opportunities for communication with the shareholders, investors and other stakeholders during FY2021 as follows:

(a) Annual General Meeting; and

(b) Update on corporate developments via SGXNet.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1 and 13.2 of Code:
Engagement with material stakeholder groups

The company provides contact details on its website at www.hafary.com.sg as the Company recognises the importance of stakeholder engagement to the long-term sustainability of its business. During FY2021, the Company received a number of telephone enquiries from shareholders and investors were attended promptly by the Company.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. Details of how these groups are identified and engaged in key area focus are disclosed in "Sustainability Report" section of the Annual Report. The Company's sustainability team can be contacted via email at (sustainability@hafary.com.sg).

DEALINGS IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of the SGX-ST on Dealing in Securities, the Company has adopted its own Internal Code of Conduct and issues circulars to its Directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in the shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half-yearly financial results and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule 1207(19) of the Listing Manual of the SGX-ST during FY2021.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length and is reviewed by the AC. Besides the information disclosed in Table 1 below, there were no other interested person transactions conducted during the year, which exceeds S$100,000 in value.

The Group has a general mandate for interested person transactions which has been in force since 11 April 2016. A resolution to renew the general mandate will be tabled at the forthcoming AGM.

Table 1:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000)			
		Conducted under shareholders' mandate pursuant to Rule 920		Not conducted under shareholders' mandate pursuant to Rule 920	
		FY2021	FY2020	FY2021	FY2020
		S$'000	S$'000	S$'000	S$'000
Purchases from Malaysian Mosaic Sdn. Bhd. ("**MMSB**")	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad.	186	271	–	–
Purchases from MML Marketing Pte. Ltd. ("**MML**")	MML is a wholly-owned subsidiary of MMSB.	5,333	2,563	–	–
Sales to MMSB	MMSB is a wholly-owned subsidiary of Hap Seng Consolidated Berhad.	397	–	–	–
Sales to Mr Low See Ching ("Mr Low")	Mr Low is a Non-Independent Non-Executive Director.	–	–	–	377
Staff secondment fees from MML	MML is a wholly-owned subsidiary of MMSB.	–	–	103	–

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, except as disclosed in this Annual Report, there were no material contracts or loans entered into between the Company and any of its subsidiaries involving interests of any Director or controlling shareholder during FY2021.

CONTENTS

STATEMENT BY DIRECTORS AND FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2021.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the company in office at the date of this statement are:

Cheah Yee Leng
Datuk Edward Lee Ming Foo, JP
Foo Yong How
Low Kok Ann
Low See Ching
Ong Beng Chye
Terrance Tan Kong Hwa
Yong Teak Jan @ Yong Teck Jan

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company or other related body corporate as recorded in the register of directors' interests in shares in or debentures kept by the company under section 164 of the Companies Act 1967 (the "Act") except as follows:

	Direct interests		Deemed interests	
Name of directors	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
The company	**Number of shares of no par value**			
Low Kok Ann	35,564,003	36,847,403	–	–
Low See Ching	69,667,300	49,667,300	–	20,000,000

The directors' interests as at 21 January 2022 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except as mentioned below.

5. Hafary Performance Share Plan

The Hafary Performance Share Plan (the "Hafary PSP") is intended to give the company greater flexibility in tailoring reward and incentive packages for its directors and employees, and aligning their interest with those of the company's shareholders.

Awards granted under the Hafary PSP will be principally (i) performance-based and (ii) loyalty-based. The performance targets to be set are intended to be broad-based and shall take into account both the medium-term corporate objectives of the group and the individual performance of the participant. The medium-term corporate objectives include market competitiveness, quality of returns, business growth and productivity growth. The performance targets set are based on medium-term corporate objectives, which include revenue growth, growth in earnings and return on investment. Additionally, the participant's length of service with the group, achievement of past performance targets, extent of value-adding to the group's performance and development and overall enhancement to shareholder value, *inter alia*, will be taken into account. The Hafary PSP may also have an extended vesting period, that is, the awards will also incorporate a time-based service condition, to encourage participants to continue serving the group beyond the achievement date of the pre-determined performance targets.

The Hafary PSP was approved by the shareholders of the company at its annual general meeting held on 25 October 2013.

The Hafary PSP is administered by the Plan Committee, comprising the Remuneration Committee and the Chief Executive Officer, who is authorised and appointed by the Board. Members of the Plan Committee are as follows:

Foo Yong How (Chairman of Remuneration Committee and Independent Director)
Ong Beng Chye (Independent Director)
Terrance Tan Kong Hwa (Independent Director)
Low Kok Ann (Executive Director and Chief Executive Officer)

Participants in the Hafary PSP will receive awards which represent the rights to receive fully paid shares of the company free of charge, upon satisfying the performance condition (determined at the discretion of the Plan Committee) and provided that the relevant participant has continued to be a group executive from the award date up to the end of the performance period. Employees who are controlling shareholders or associates of controlling shareholders shall not participate in the Hafary PSP.

During the reporting year, there was no performance shares granted, vested and cancelled under the Hafary PSP.

The number of performance shares vested at the vesting date are dependent on the level of achievement against the pre-set performance conditions and targets.

From the commencement of the Hafary PSP, no performance shares were granted to directors of the company.

There were no unissued shares of the company or its related body corporate under shares awards granted by the company or its related body corporate as at 31 December 2021.

6. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted and there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Report of Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Ong Beng Chye	(Chairman of Audit Committee and Independent Director)
Foo Yong How	(Independent Director)
Terrance Tan Kong Hwa	(Independent Director)

The Audit Committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls that are relevant to their statutory audit, their report on the financial statements and the assistance given by management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to them;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the Corporate Governance Statement included in the annual report of the company. It also includes an explanation of how independent external auditor's objectivity and independence are safeguarded where the independent external auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

STATEMENT BY DIRECTORS

9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls (including financial, operational, compliance and information technology controls), and risk management systems were adequate and effective as at 31 December 2021 to address the risks that the company considers relevant and material to its operations.

10. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 22 February 2022, which would materially affect the group's and company's operating and financial performance as of the date of this report.

On behalf of the directors

Low Kok Ann Director	Low See Ching Director

22 March 2022

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hafary Holdings Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters ("KAMs") are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Assessment of expected credit loss allowance on trade receivables

Refer to Note 2 for the relevant accounting policy, discussion of accounting estimate, and Notes 23 and 36D for the breakdown in trade receivables and credit risk of the group respectively. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committee to the reported KAMs.

Key Audit Matter

The group's trade receivables totaled $29,505,000 as at the end of the reporting year. Any impairment of significant receivables could have material impact to the group's profit or loss.

The estimate of impairment allowance is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability. Specific impairment allowance is provided accordingly. Besides that, expected credit losses ("ECL") model is also applied to determine the loss allowance for trade receivables based on historical observed default rates adjusted for forward-looking estimates.

Key audit matters (cont'd)

(1) Assessment of expected credit loss allowance on trade receivables (cont'd)

How we addressed the matter in our audit

Our audit procedures included (a) assessing the recoverability of the significant aged debts, by discussing with management, checking subsequent collections and corroborating to the historical payment records; and (b) assessing whether disclosures in respect of the credit risk of trade receivables is appropriate.

For ECL, our audit procedures included (a) reviewing management's assessment of ECL; and (b) assessing the measurement of the expected credit loss allowance. An impairment allowance is provided accordingly.

We also evaluated the qualitative adjustment to the allowance and challenged the reasonableness of the key assumptions in determining the allowance.

We assessed the adequacy of the disclosures in the financial statements.

(2) Assessment of impairment allowance on inventories

Refer to Note 2 for the relevant accounting policy, discussion of accounting estimate, and Note 22 for the breakdown in inventories at the reporting year end. Also refer to the Audit Committee section in the Corporate Governance Statement of the annual report for responses of the Audit Committee to the reported KAMs.

Key Audit Matter

The group held inventories of $46,249,000 as at end of the reporting year. The carrying amount of inventories may not be recoverable in full if those inventories become slow moving, or if their selling prices have declined below carrying amounts.

The estimate of allowance for slow moving inventories is based on the age of these inventories, prevailing market conditions in the industry and historical allowance experience which requires management's judgement. Management applies particular judgement in the areas relating to inventory allowance based on inventory aging. This methodology relies upon assumptions made in determining appropriate allowance of inventories. Management reassesses the methodology regularly to be in line with the prevailing market conditions. With the recent developments in the industry, management is of the opinion that the methodology is reflecting the prevailing market conditions.

How we addressed the matter in our audit

We selected samples for testing. Our audit procedures included (a) the checking of the net realisable value of the inventories by considering post year-end sales to identify any further sales made at a loss; and (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant built up of aged inventories and assessing the reasonableness of the allowance for slow moving inventories. We also assessed the management's judgement and assumptions applied to comply with the group's inventory allowance policy by analysing the historical data trend as well as performing analytical procedures on the inventory aging profile.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements (cont'd)

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Hui Jun, Sabrina.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

22 March 2022

Engagement partner - effective from year ended 31 December 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 $'000	2020 $'000
Revenue	5	**130,095**	84,315
Interest income	6	**161**	105
Other gains	7	**2,065**	3,683
Changes in inventories of goods held for resale		**2,485**	446
Purchases and related costs		**(69,944)**	(44,571)
Employee benefits expense	8	**(21,318)**	(16,163)
Amortisation and depreciation expense	15, 16, 17	**(7,475)**	(7,248)
Impairment losses	9	**(8,498)**	(4,404)
Other losses	7	**(223)**	(575)
Finance costs	10	**(3,204)**	(3,261)
Other expenses	11	**(10,573)**	(7,910)
Share of profit from an equity-accounted associate	19	**1,206**	1,775
Share of profit from equity-accounted joint ventures	20	**356**	68
Profit before income tax		**15,133**	6,260
Income tax expense	12	**(2,821)**	(725)
Profit, net of tax		**12,312**	5,535
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax	27	**1,134**	315
Total comprehensive income for the year, net of tax		**13,446**	5,850
Profit attributable to:			
– Owners of the parent, net of tax		**11,580**	5,260
– Non-controlling interests, net of tax		**732**	275
		12,312	5,535
Total comprehensive income attributable to:			
– Owners of the parent		**12,714**	5,575
– Non-controlling interests		**732**	275
		13,446	5,850
		Cents	**Cents**
Earnings per share			
Basic and diluted	13	**2.69**	1.22

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
	Notes	2021 $'000	2020 $'000	2021 $'000	2020 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**94,612**	72,501	**173**	268
Right-of-use assets	16	**71,751**	37,863	**–**	–
Investment property	17	**4,172**	4,191	**–**	–
Investments in subsidiaries	18	**–**	–	**9,239**	9,239
Investment in an associate	19	**17,507**	15,753	**–**	–
Investments in joint ventures	20	**2,805**	2,655	**–**	–
Other financial assets	21	**340**	412	**340**	412
Total non-current assets		**191,187**	133,375	**9,752**	9,919
Current assets					
Inventories	22	**46,249**	50,938	**–**	–
Trade and other receivables	23	**35,733**	29,960	**31,065**	30,529
Derivative financial assets	33	**–**	9	**–**	–
Other non-financial assets	24	**6,784**	5,372	**85**	9
Cash and cash equivalents	25	**6,070**	5,211	**20**	22
Total current assets		**94,836**	91,490	**31,170**	30,560
Total assets		**286,023**	224,865	**40,922**	40,479
EQUITY AND LIABILITIES					
Equity					
Share capital	26	**26,930**	26,930	**26,930**	26,930
Retained earnings		**48,612**	45,580	**3,531**	3,450
Foreign currency translation reserve	27	**(67)**	(1,201)	**–**	–
Equity, attributable to owners of the parent		**75,475**	71,309	**30,461**	30,380
Non-controlling interests		**1,931**	2,159	**–**	–
Total equity		**77,406**	73,468	**30,461**	30,380
Non-current liabilities					
Deferred tax liabilities	12	**953**	664	**–**	–
Other financial liabilities, non-current	28	**112,924**	82,256	**–**	–
Lease liabilities, non-current	29	**12,491**	9,355	**51**	101
Total non-current liabilities		**126,368**	92,275	**51**	101
Current liabilities					
Income tax payable		**2,688**	1,285	**–**	5
Provision	30	**924**	725	**–**	–
Trade and other payables	31	**17,668**	16,275	**10,360**	9,943
Derivative financial liabilities	33	**64**	–	**–**	–
Other financial liabilities, current	28	**55,142**	34,597	**–**	–
Lease liabilities, current	29	**926**	881	**50**	47
Other non-financial liabilities	32	**4,837**	5,359	**–**	3
Total current liabilities		**82,249**	59,122	**10,410**	9,998
Total liabilities		**208,617**	151,397	**10,461**	10,099
Total equity and liabilities		**286,023**	224,865	**40,922**	40,479

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

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 year:						
Opening balance at 1 January 2021	**73,468**	**71,309**	**26,930**	**45,580**	**(1,201)**	**2,159**
Changes in equity:						
Total comprehensive income for the year	**13,446**	**12,714**	**–**	**11,580**	**1,134**	**732**
Dividends paid (Note 14)	**(6,458)**	**(6,458)**	**–**	**(6,458)**	**–**	**–**
Dividends paid to non-controlling interests in subsidiaries	**(1,200)**	**–**	**–**	**–**	**–**	**(1,200)**
Acquisition of a non-controlling interest without a change in control (Note 18)	**(1,850)**	**(2,090)**	**–**	**(2,090)**	**–**	**240**
Closing balance at 31 December 2021	**77,406**	**75,475**	**26,930**	**48,612**	**(67)**	**1,931**
Previous year:						
Opening balance at 1 January 2020	70,987	68,963	26,930	43,549	(1,516)	2,024
Changes in equity:						
Total comprehensive income for the year	5,850	5,575	–	5,260	315	275
Dividends paid (Note 14)	(3,229)	(3,229)	–	(3,229)	–	–
Dividends paid to non-controlling interests in subsidiaries	(140)	–	–	–	–	(140)
Closing balance at 31 December 2020	73,468	71,309	26,930	45,580	(1,201)	2,159

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2021	**30,380**	**26,930**	**3,450**
Changes in equity:			
Total comprehensive income for the year	**6,539**	**–**	**6,539**
Dividends paid (Note 14)	**(6,458)**	**–**	**(6,458)**
Closing balance at 31 December 2021	**30,461**	**26,930**	**3,531**
Previous year:			
Opening balance at 1 January 2020	29,343	26,930	2,413
Changes in equity:			
Total comprehensive income for the year	4,266	–	4,266
Dividends paid (Note 14)	(3,229)	–	(3,229)
Closing balance at 31 December 2020	30,380	26,930	3,450

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Profit before income tax	**15,133**	6,260
Adjustments for:		
Interest expense on borrowings	**2,818**	2,937
Interest expense on lease liabilities	**386**	324
Interest income	**(161)**	(105)
COVID-19 related rent concessions from lessors	**(14)**	(74)
Depreciation of property, plant and equipment	**5,187**	4,739
Depreciation of right-of-use assets	**2,269**	2,490
Depreciation of investment property	**19**	19
Gain on disposal of plant and equipment	**–**	(1)
Fair value losses on other financial assets, net	**72**	110
Share of profit from an equity-accounted associate	**(1,206)**	(1,775)
Share of profit from equity-accounted joint ventures	**(356)**	(68)
Net effect of exchange rate changes in consolidating subsidiaries	**48**	23
Operating cash flows before changes in working capital	**24,195**	14,879
Inventories	**4,689**	3,240
Trade and other receivables	**(3,561)**	1,871
Other non-financial assets	**(1,412)**	98
Provision	**199**	89
Trade and other payables	**2,973**	(89)
Derivative financial assets / liabilities	**73**	(32)
Other non-financial liabilities	**(522)**	2,170
Net cash flows from operations	**26,634**	22,226
Income taxes paid	**(1,129)**	(1,115)
Net cash flows from operating activities	**25,505**	21,111
Cash flows from investing activities		
Purchase of property, plant and equipment (Notes 15 and 25A)	**(26,477)**	(2,264)
Upfront payment for right-of-use assets (Notes 16 and 25A)	**(31,771)**	–
Proceeds from disposal of plant and equipment	**11**	25
Refund of land premium (Note 15)	**–**	1,846
Net movements in amount due from an associate	**(1,406)**	–
Deposits paid for property acquisition	**(878)**	–
Net movements in amount due from joint ventures	**31**	389
Dividend income from an associate	**–**	1,410
Dividend income from joint ventures	**350**	28
Interest income received	**67**	22
Net cash flows (used in) from investing activities	**(60,073)**	1,456

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 $'000
<u>**Cash flows from financing activities**</u>		
Dividends paid to equity owners	**(6,458)**	(3,229)
Dividends paid to non-controlling interests	**(1,200)**	(140)
Net movements in amounts due to a director cum a shareholder	**(1,052)**	(331)
Net movements in amounts due to a shareholder	**(1,110)**	(499)
Lease liabilities – principal portion paid	**(1,385)**	(1,608)
Increase (decrease) in trust receipts and bills payable	**9,661**	(5,463)
Increase from new borrowings	**52,614**	10,000
Decrease in other financial liabilities	**(11,062)**	(20,668)
Interest expense paid	**(2,760)**	(2,988)
Acquisition of a non-controlling interest without a change in control	**(1,850)**	–
Net cash flows from (used in) financing activities	**35,398**	(24,926)
Net increase (decrease) in cash and cash equivalents	**830**	(2,359)
Net effect of exchange rate changes on cash and cash equivalents	**29**	11
Cash and cash equivalents, beginning balance	**5,211**	7,559
Cash and cash equivalents, ending balance (Note 25)	**6,070**	5,211

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

1. General

Hafary Holdings Limited (the "company") is incorporated in Singapore with limited liability. It is listed on the Main Board of Singapore Exchange Securities Trading Limited.

The financial statements are presented in Singapore Dollar and they cover the company and its subsidiaries (the "group"). All financial information have been rounded to the nearest thousand ("$'000"), except when otherwise indicated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 18 below.

The registered office and principal place of business of the company is located at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836.

COVID-19 related disclosures

The COVID-19 pandemic:

Management has not identified any material uncertainties resulting from the COVID-19 pandemic and the aftermath of the pandemic surrounding the group's business, and accordingly no further disclosures are made in these financial statements.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act 1967 and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2C below, where applicable.

1. General (cont'd)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee. They are de-consolidated from the date that control ceases.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act 1967, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, and modifications), net of any related taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient, the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Distinct goods or services created over time – Revenue from installation service is recognised over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method, the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred relative to the total expected inputs to the satisfaction of that performance obligation.

Rental income – Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Interest income is recognised using the effective interest method.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss, the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore Dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expenses items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting group controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Business combinations

There were no business combinations during the reporting year.

Associate

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying amount of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity.

The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

Joint arrangements – joint ventures

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with financial reporting standard on investments in associates and joint ventures (as described above for associates).

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets (or, for leasehold improvements and certain leased assets, the shorter lease term). The annual rates of depreciation are as follows:

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Leasehold properties	–	Over the terms of leases from 2% to 8%
Plant and equipment	–	10% to 33%
Motor vehicles	–	20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Right-of-use assets and land use rights

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised on a straight-line basis over the remaining lease terms.

The annual rates of depreciation are as follows:

Leasehold land	–	Over the terms of leases from 0.1% to 7.1%
Premises	–	Over the terms of leases from 30.0% to 50.0%

Investment property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once in three years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The estimated useful life of freehold building is 20 years. Freehold land has unlimited useful life and therefore is not depreciated.

Leases of lessee

A lease conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Where a lease arrangement is identified, a liability to the lessor is recognised as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded (or included in property, plant and equipment). Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability. Finance charges are recorded as a finance cost. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases with a term of 12 months or less and leases for low value are not recorded as a liability and lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases of lessor

For a lessor each of lease is classified as either an operating lease or a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Inventories

Inventories are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Carrying amount of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.

4. Financial asset classified as measured at fair value through profit or loss ("FVTPL"): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss ("FVTPL") in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying amounts of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements. The recurring measurements are made at each reporting year end date.

In making the fair value measurement for a non-financial asset, management determines the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information (cont'd)

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segments performance and deciding how to allocate resources to operating segments.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. 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.

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 (including the impact of the COVID-19 pandemic). 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 (including the impact of the COVID-19 pandemic). 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.

Critical judgement over the lease terms:
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. The carrying amount of the relevant investment and other receivable at the end of the reporting year affected by the assumption is $827,000.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) related party relationships, transactions and outstanding balances, including commitments, including (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a group

Name	Relationship	Country of incorporation
Gek Poh (Holdings) Sdn. Bhd.	Ultimate parent company	Malaysia
Hap Seng Consolidated Berhad	Intermediate parent company	Malaysia
Hap Seng Investment Holdings Pte. Ltd.	Immediate parent company	Singapore

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

3B. Related party transactions

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:

	Group	
	2021	2020
	$'000	$'000
Associate:		
Interest income (Note 6)	**(71)**	–
Joint ventures:		
Sale of goods	**(619)**	(983)
Rental income	**(420)**	(381)
Interest income (Note 6)	**(80)**	(99)
Purchases of goods	**7,809**	4,251
Receiving of services	**1,069**	840
Directors:		
Sale of goods	**(21)**	(377)
Other related parties:		
Sale of goods	**(475)**	(36)
Rental income	**(185)**	(184)
Miscellaneous income (Note 7)	**(103)**	(108)
Purchases of goods	**5,519**	2,834
Rental expenses	**7**	4
Property management fee	**4**	–

3. Related party relationships and transactions (cont'd)

3C. Key management compensation

	Group	
	2021	**2020**
	$'000	**$'000**
Salaries and other short-term employee benefits	**2,387**	1,773

The above amount is included under employee benefits expense. Included in the above amount are the following items:

	Group	
	2021	**2020**
	$'000	**$'000**
Remuneration of director of the company	**835**	421
Fees to directors of the company	**231**	229
Fee to a director of a subsidiary of the company	**100**	25

Further information about the remuneration of individual directors is provided in the Corporate Governance Statement included in the annual report of the company.

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Key management compensation comprised those of directors and other key management personnel totalling 14 (2020: 15) persons. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related companies in their capacity as directors and or executives of those companies.

3D. Other receivables from and other payables to related parties

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Group	
	2021	2020
	$'000	$'000
Joint ventures:		
Balance at beginning of the year	**3,515**	3,862
Interest income (Note 6)	**80**	99
Amounts paid out and settlement of liabilities on behalf of the joint ventures	**1,900**	1,330
Amounts paid in and settlement of liabilities on behalf of the group	**(1,739)**	(1,710)
Foreign exchange adjustments	**78**	(66)
Balance at end of the year	**3,834**	3,515
Presented in the statement of financial position as follows:		
Other receivable (Note 23)	**3,834**	3,610
Other payable (Note 31)	**–**	(95)
	3,834	3,515

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties (cont'd)

	Group 2021 $'000	Group 2020 $'000
Other receivable from associate:		
Balance at beginning of the year	–	–
Loan to associate	4,022	–
Interest income (Note 6)	71	–
Repayment of loan principal and interest	(2,778)	–
Foreign exchange adjustments	51	–
Balance at end of the year (Note 23)	1,366	–

	Group 2021 $'000	Group 2020 $'000
Other receivable from other related party:		
Balance at beginning of the year	15	9
Amounts paid out and settlement of liabilities on behalf of the other related party	129	141
Amounts paid in and settlement of liabilities on behalf of the group	(140)	(135)
Balance at end of the year (Note 23)	4	15

	Group 2021 $'000	Group 2020 $'000
Other payable to a director cum a shareholder:		
Balance at beginning of the year	(2,461)	(2,792)
Amounts paid out and settlement of liabilities on behalf of the director	1,110	380
Amounts paid in and settlement of liabilities on behalf of the group	(57)	(49)
Balance at end of the year (Note 31)	(1,408)	(2,461)

	Group 2021 $'000	Group 2020 $'000
Other payable to a shareholder:		
Balance at beginning of the year	(2,219)	(2,718)
Amounts paid out and settlement of liabilities on behalf of the shareholder	1,111	499
Balance at end of the year (Note 31)	(1,108)	(2,219)

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties (cont'd)

	Company	
	2021	2020
	$'000	$'000
Subsidiaries:		
Balance at beginning of the year	**20,009**	18,782
Amounts paid in and settlement of liabilities on behalf of the company	**(6,404)**	(3,079)
Dividend income	**6,458**	4,306
Balance at end of the year	**20,063**	20,009
Presented in the statement of financial position as follows:		
Other receivables (Note 23)	**29,463**	29,409
Other payables (Note 31)	**(9,400)**	(9,400)
	20,063	20,009

4. Financial information by operating segments

4A. 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.

For management purposes, the reporting entity is organised into three major strategic operating segments: General, Project 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 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.

- 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").

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

4B. 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	Others $'000	Unallocated $'000	Group $'000
2021:					
Total revenue by segment	**110,856**	**68,414**	**10,812**	**191**	**190,273**
Inter-segment sales	**(28,140)**	**(25,127)**	**(6,911)**	**–**	**(60,178)**
Total revenue	**82,716**	**43,287**	**3,901**	**191**	**130,095**
Recurring EBITDA	**17,349**	**3,303**	**3,407**	**191**	**24,250**
Amortisation and depreciation expense	**(5,537)**	**(1,073)**	**(865)**	**–**	**(7,475)**
Finance costs	**(2,321)**	**(293)**	**(590)**	**–**	**(3,204)**
Share of profit from an equity-accounted associate	**–**	**–**	**1,206**	**–**	**1,206**
Share of profit from equity- accounted joint ventures	**–**	**–**	**356**	**–**	**356**
ORBIT	**9,491**	**1,937**	**3,514**	**191**	**15,133**
Income tax expense					**(2,821)**
Profit, net of tax					**12,312**
2020:					
Total revenue by segment	70,595	41,330	9,652	46	121,623
Inter-segment sales	(16,742)	(14,268)	(6,298)	–	(37,308)
Total revenue	53,853	27,062	3,354	46	84,315
Recurring EBITDA	11,036	878	2,966	46	14,926
Amortisation and depreciation expense	(5,383)	(1,098)	(767)	–	(7,248)
Finance costs	(2,397)	(322)	(542)	–	(3,261)
Share of profit from an equity-accounted associate	–	–	1,775	–	1,775
Share of profit from equity- accounted joint ventures	–	–	68	–	68
ORBIT	3,256	(542)	3,500	46	6,260
Income tax expense					(725)
Profit, net of tax					5,535

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

4C. Assets, liabilities and reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
2021:					
Segment assets	**192,256**	**69,283**	**24,484**	**–**	**286,023**
Segment liabilities	**157,666**	**44,780**	**2,530**	**–**	**204,976**
Deferred tax liabilities					**953**
Income tax payable					**2,688**
Total liabilities					**208,617**
2020:					
Segment assets	138,421	63,845	22,599	–	224,865
Segment liabilities	103,966	42,095	3,387	–	149,448
Deferred tax liabilities					664
Income tax payable					1,285
Total liabilities					151,397

4D. Other material items and reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Impairment of assets:					
2021	**6,918**	**1,580**	**–**	**–**	**8,498**
2020	3,403	1,001	–	–	4,404
Expenditure for non-current assets:					
2021	**26,939**	**152**	**–**	**–**	**27,091**
2020	2,149	115	–	–	2,264

4E. Geographical information

	Revenue		Non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Singapore	**125,226**	76,030	**150,604**	106,429
People's Republic of China	**1,100**	591	**22,736**	10,781
Socialist Republic of Vietnam	**–**	–	**17,507**	15,753
Republic of the Union of Myanmar	**490**	1,285	**–**	–
Republic of Indonesia	**863**	152	**–**	–
Cambodia	**1,322**	5,337	**–**	–
Malaysia	**370**	167	**–**	–
Maldives	**73**	481	**–**	–
Others	**651**	272	**–**	–
	130,095	84,315	**190,847**	132,963

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.

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

4F. Information about major customers

There was no customer with sale transactions over 10% of the group's revenue during the current and previous reporting years.

5. Revenue

A. Revenue classified by type of good or service

	Group	
	2021	**2020**
	$'000	**$'000**
Sale of goods	**118,732**	77,441
Revenue from installation services	**7,272**	3,409
Rental income (Note 35)	**3,888**	3,339
Other income	**203**	126
Total revenue	**130,095**	84,315

B. Revenue classified by duration of contract

	Group	
	2021	**2020**
	$'000	**$'000**
Short-term contracts	**122,823**	80,906
Long-term contracts	**7,272**	3,409
Total revenue	**130,095**	84,315

C. Revenue classified by timing of revenue recognition

	Group	
	2021	**2020**
	$'000	**$'000**
Point in time	**122,823**	80,906
Over time	**7,272**	3,409
Total revenue	**130,095**	84,315

6. Interest income

	Group	
	2021	**2020**
	$'000	**$'000**
Interest income from an associate (Note 3)	**71**	–
Interest income from joint ventures (Note 3)	**80**	99
Other interest income	**10**	6
Total interest income	**161**	105

7. Other gains and (other losses)

	Group	
	2021	2020
	$'000	$'000
Fair value (losses) gains on derivative financial instruments, net (Note 33)	**(73)**	32
Fair value losses on other financial assets, net (Note 21)	**(72)**	(110)
Foreign exchange adjustment gains (losses), net	**245**	(457)
Gain on disposal of plant and equipment	**–**	1
Jobs Support Scheme grants [a]	**1,359**	2,324
Foreign Worker Levy rebates	**191**	571
Other government grants income	**156**	118
Insurance compensation	**11**	32
Other compensation losses	**–**	(8)
Miscellaneous income from other related party (Note 3)	**103**	108
Others	**(29)**	–
Subtotal	**1,891**	2,611
Rental waiver to tenants	**(63)**	–
Rent concessions received from lessor	**14**	74
Property tax rebates and cash grant income [b]	**–**	791
Property tax rebates and cash grant expense [c]	**–**	(368)
Subtotal	**(49)**	497
Net	**1,842**	3,108
Presented in profit or loss as:		
Other gains	**2,065**	3,683
Other losses	**(223)**	(575)
	1,842	3,108

[a] The purpose of the Jobs Support Scheme was to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid COVID-19 for the qualifying period.

[b] Property tax rebates and cash grant received from the Singapore Government during the reporting year ended 31 December 2020 to help businesses deal with the impact from COVID-19. For the property tax rebates, the group is obliged to pass on the benefits to its tenants and has transferred these to the tenants in the form of rent rebates during the year. For the cash grant, the group is obliged to waive up to two and four months of rental to eligible tenants in other non-residential properties and qualifying commercial properties respectively.

[c] Property tax rebates and cash grant received from the Singapore Government during the reporting year ended 31 December 2020 that were transferred to tenants in the form of rent rebates during the year and rental waivers provided to eligible tenants as part of the qualifying conditions of the cash grant under Rental Relief Framework.

8. Employee benefits expense

	Group	
	2021	2020
	$'000	$'000
Salaries, bonuses and other short-term benefits	**18,677**	14,271
Contributions to defined contribution plan	**2,641**	1,892
Total employee benefits expense	**21,318**	16,163

9. Impairment losses

	Group 2021 $'000	Group 2020 $'000
Allowance for impairment of inventories (Note 22)	**7,614**	4,068
Allowance (reversal) for impairment of trade receivables:		
– Individually impaired (Note 23)	**579**	317
– Collectively impaired (Note 23)	**(46)**	28
Allowance for impairment of other receivables (Note 23)	**350**	–
Bad debts recovered – trade receivables	**(26)**	(20)
Bad debts written-off – trade receivables	**27**	–
Bad debts written-off – other receivables	**–**	11
Total impairment losses	**8,498**	4,404

10. Finance costs

	Group 2021 $'000	Group 2020 $'000
Interest expense on:		
– Bank loans	**2,341**	2,572
– Bill payables	**477**	365
– Lease liabilities	**386**	324
Total finance costs	**3,204**	3,261

11. Other expenses

The major components and other selected components include the following:

	Group 2021 $'000	Group 2020 $'000
Commission	**1,313**	753
Property tax	**1,229**	1,061
Hire of vehicles and machineries	**977**	346
Expense relating to short-term leases (Note 29)	**977**	536
Upkeep of motor vehicles	**859**	540
Utilities expense	**603**	377

The following profit or loss items are included in other expenses:

	Group 2021 $'000	Group 2020 $'000
Audit fees paid to:		
– Independent auditors of the company	**208**	197
– Other independent auditors	**19**	47
Non-audit fees paid to:		
– Independent auditors of the company	**37**	36
– Other independent auditors	**13**	8

12. Income tax

12A. Components of tax expense recognised in profit or loss

	Group 2021 $'000	Group 2020 $'000
Current tax expense:		
Current tax expense	**2,576**	586
Over adjustments in respect of prior years	**(44)**	(49)
Subtotal	**2,532**	537
Deferred tax expense:		
Deferred tax expense	**229**	135
Under adjustments in respect of prior years	**60**	53
Subtotal	**289**	188
Total income tax expense	**2,821**	725

The reconciliation of income taxes below is determined by applying Singapore corporate tax rate. The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2020: 17%) to profit before income tax as a result of the following differences:

	Group 2021 $'000	Group 2020 $'000
Profit before income tax	**15,133**	6,260
Less:		
– Share of profit from an equity-accounted associate	**(1,206)**	(1,775)
– Share of profit from equity-accounted joint ventures	**(356)**	(68)
	13,571	4,417
Income tax expense at the above rate	**2,307**	751
Effect of different tax rates in different countries	**33**	14
Expenses not deductible for tax purposes	**587**	65
Tax exemption and rebates	**(122)**	(109)
Under adjustments in respect of prior years	**16**	4
Total income tax expense	**2,821**	725

There are no income tax consequences of dividends to owners of the company.

12B. Deferred tax expense recognised in profit or loss

	Group 2021 $'000	Group 2020 $'000
Excess of net carrying amounts over tax values of property, plant and equipment	**322**	53
Provision	**(34)**	(15)
Deferred tax on inventories for unrealised profit	**(15)**	(4)
Tax loss carryforwards	**16**	149
Others	**–**	5
Total deferred tax expense	**289**	188

12. Income tax (cont'd)

12C. Deferred tax balance in the statement of financial position

	Group 2021 $'000	Group 2020 $'000
Excess of net carrying amounts over tax values of property, plant and equipment	**1,349**	1,027
Provision	**(157)**	(123)
Deferred tax on inventories for unrealised profit	**(239)**	(224)
Tax loss carryforwards	**–**	(16)
Total deferred tax liabilities	**953**	664

It is impracticable to estimate the amount expected to be settled or used within one year.

13. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group 2021 $'000	Group 2020 $'000
Profit, net of tax attributable to owners of the parent	**11,580**	5,260

	Number of shares 2021 '000	Number of shares 2020 '000
Weighted average number of equity shares:		
Basic	**430,550**	430,550

The weighted average number of equity shares refers to shares in circulation during the reporting year.

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

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective reporting years.

14. Dividends on equity shares

	Group and Company 2021 $'000	Group and Company 2020 $'000
Final tax exempt (1-tier) dividends paid of 0.75 cent (2020: 0.50 cent) per share	**3,229**	2,153
First interim tax exempt (1-tier) dividends paid of 0.75 cent (2020: 0.25 cent) per share	**3,229**	1,076
Total dividends paid during the year	**6,458**	3,229

In respect of the current reporting year, the directors have proposed that a final dividend of 0.75 cent per share with a total of $3,229,000 be paid to shareholders after the annual general meeting to be held in future. There are no income tax consequences on the company. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

15. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
At 1 January 2020	86,025	11,897	4,078	102,000
Additions	–	2,171	93	2,264
Disposals	–	(25)	(129)	(154)
Refund of land premium #a	(1,846)	–	–	(1,846)
Foreign exchange adjustments	245	36	2	283
At 31 December 2020	84,424	14,079	4,044	102,547
Additions	22,243	4,819	29	27,091
Disposals	–	(101)	(99)	(200)
Foreign exchange adjustments	255	50	(1)	304
At 31 December 2021	106,922	18,847	3,973	129,742
Accumulated depreciation:				
At 1 January 2020	15,240	7,366	2,763	25,369
Depreciation for the year	3,146	1,113	480	4,739
Disposals	–	(25)	(105)	(130)
Foreign exchange adjustments	55	11	2	68
At 31 December 2020	18,441	8,465	3,140	30,046
Depreciation for the year	3,493	1,313	381	5,187
Disposals	–	(95)	(94)	(189)
Foreign exchange adjustments	68	16	2	86
At 31 December 2021	22,002	9,699	3,429	35,130
Carrying value:				
At 1 January 2020	70,785	4,531	1,315	76,631
At 31 December 2020	65,983	5,614	904	72,501
At 31 December 2021	**84,920**	**9,148**	**544**	**94,612**

15. Property, plant and equipment (cont'd)

Company	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:			
At 1 January 2020, 31 December 2020 and 31 December 2021	2	470	472
Accumulated depreciation:			
At 1 January 2020	2	110	112
Depreciation for the year	–	92	92
At 31 December 2020	2	202	204
Depreciation for the year	–	95	95
At 31 December 2021	2	297	299
Carrying value:			
At 1 January 2020	–	360	360
At 31 December 2020	–	268	268
At 31 December 2021	**–**	**173**	**173**

As at the end of the reporting year, the group's leasehold properties with carrying amount of $80,974,000 (2020: $62,008,000) are mortgaged for bank facilities (Note 28).

Certain motor vehicles are under lease liabilities (Note 29).

[#a] During the reporting year 2020, the group received an amount of $1,846,000 from the Singapore Land Authority paid as land premium in prior years for 18 Sungei Kadut Street 2, Singapore.

16. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost:			
At 1 January 2020	49,169	4,421	53,590
Remeasurement	(70)	–	(70)
Foreign exchange adjustments	222	–	222
At 31 December 2020	49,321	4,421	53,742
Additions	35,667	303	35,970
Remeasurement	–	(303)	(303)
Foreign exchange adjustments	232	–	232
At 31 December 2021	85,220	4,421	89,641
Accumulated depreciation:			
At 1 January 2020	10,361	2,985	13,346
Depreciation for the year	1,682	808	2,490
Remeasurement	7	–	7
Foreign exchange adjustments	36	–	36
At 31 December 2020	12,086	3,793	15,879
Depreciation for the year	1,761	508	2,269
Remeasurement	–	(303)	(303)
Foreign exchange adjustments	45	–	45
At 31 December 2021	13,892	3,998	17,890
Carrying value:			
At 1 January 2020	38,808	1,436	40,244
At 31 December 2020	37,235	628	37,863
At 31 December 2021	**71,328**	**423**	**71,751**

16. Right-of-use assets (cont'd)

As at the end of the reporting year, the group's land use rights with carrying amount of $54,980,000 (2020: $24,285,000) are mortgaged for bank facilities (Note 28). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

The above table includes land use rights. The details are as follows:

Group	Land use rights $'000
Cost:	
At 1 January 2020	36,137
Foreign exchange adjustments	222
At 31 December 2020	36,359
Additions	31,771
Foreign exchange adjustments	232
At 31 December 2021	68,362
Accumulated amortisation:	
At 1 January 2020	6,893
Amortisation for the year	1,200
Foreign exchange adjustments	36
At 31 December 2020	8,129
Amortisation for the year	1,211
Foreign exchange adjustments	45
At 31 December 2021	9,385
Carrying value:	
At 1 January 2020	29,244
At 31 December 2020	28,230
At 31 December 2021	**58,977**

As at the end of the reporting year, other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	Leasehold land		Premises	
	2021	2020	2021	2020
Number of right-of-use assets	8	6	3	3
Remaining term – range (years)	3.0 to 812.6	4.0 to 38.2	0.4 to 1.3	0.3 to 2.0
Remaining term – average (years)	120.8	19.6	0.9	1.2
Weighted average incremental borrowing rate applied to lease liabilities	3%	3%	3%	3%

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 fourteen 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.

17. Investment property

Group	Freehold land $'000	Freehold building $'000	Total $'000
Cost:			
At 1 January 2020, 31 December 2020 and 31 December 2021	3,906	370	4,276
Accumulated depreciation:			
At 1 January 2020	–	66	66
Depreciation for the year	–	19	19
At 31 December 2020	–	85	85
Depreciation for the year	–	19	19
At 31 December 2021	–	104	104
Carrying value:			
At 1 January 2020	3,906	304	4,210
At 31 December 2020	3,906	285	4,191
At 31 December 2021	**3,906**	**266**	**4,172**

	Group 2021 $'000	Group 2020 $'000
Fair value at end of the year for disclosure purposes only	**4,500**	4,800
Rental income from investment property	**120**	118
Direct operating expenses (including repairs and maintenance) arising from investment property	**(12)**	(15)

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

The investment property is leased out under operating lease. Also see Note 35 on operating lease income commitments. The management has not entered into contractual obligations for the maintenance or enhancement of the investment properties.

The investment property is mortgaged as security for the bank facilities (Note 28).

For fair value disclosure categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Two-storey shophouse
Location:	532 Balestier Road, Singapore 329859
Tenure:	Freehold
Fair value:	$4,500,000 (2020: $4,800,000)
Fair value hierarchy:	Level 3 (2020: Level 3)
Valuation technique for recurring fair value measurements:	Comparison with market evidence on recent offer of sale prices for similar properties
Significant observable inputs and range (weighted average):	Price per square meter $17,619 (2020: $18,794)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by $450,000; higher by $450,000 (2020: Impact – lower by $480,000; higher by $480,000)

17. Investment property (cont'd)

The fair value of the investment property was measured by PREMAS Valuers & Property Consultants Pte. Ltd., a firm of independent professional valuers, in January 2022 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year.The firm hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued.

Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to the market participants principally through its use in combination with other assets.

18. Investments in subsidiaries

	Company	
	2021	2020
	$'000	$'000
Unquoted equity shares at cost	**9,239**	9,239
Net book value of subsidiary in the books of the company	**25,566**	20,005

The listing of and information on the subsidiaries are given as below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	**Cost**		**Effective equity held**	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**%**	**%**
Hafary Pte Ltd Singapore Importer and dealer of building materials	**9,239**	9,239	**100**	100
Held through Hafary Pte Ltd:				
Surface Project Pte. Ltd. Singapore Distribution and wholesale of building materials			**70**	70
Surface Stone Pte. Ltd. Singapore Dealer of stones for home furnishing			**90**	90
Wood Culture Pte. Ltd. Singapore Dealer of wood for home furnishing			**100**	100
Hafary Centre Pte. Ltd. Singapore Investment holding			**100**	100
Hafary Vietnam Pte. Ltd. Singapore Investment holding			**100**	100

18. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given as below (cont'd):

Name of subsidiaries, country of incorporation, place of operations and principal activities (cont'd)	Effective equity held 2021 %	Effective equity held 2020 %
Held through Hafary Pte Ltd (cont'd):		
Hafary International Pte. Ltd. Singapore Importing and distribution of building materials	**100**	100
Hafary Trademarks Pte. Ltd. Singapore Intellectual property holding and management	**100**	100
Marble Trends Pte. Ltd. Singapore Dealer of stones for home furnishing	**100**	100
World Furnishing Hub Pte. Ltd. [#a] Singapore Investment holding	**51**	46
Hafary Balestier Showroom Pte. Ltd. Singapore Investment holding	**51**	51
Gres Universal Pte. Ltd. Singapore Distribution and wholesale of building materials	**56**	56
Hafary Building Materials Pte. Ltd. Singapore Investment holding	**100**	100
Hafary W+S Pte. Ltd. Singapore Storage and warehousing of furniture and related products	**100**	100
Hafary Trading Sdn. Bhd. Malaysia Trading and distribution of building materials	**100**	100
Hafary Crescent Pte. Ltd. Singapore (Incorporated on 2 August 2021) Cutting, shaping and finishing of stone and other holding companies (investment holding)	**100**	–
Held through Hafary International Pte. Ltd.:		
Foshan Hafary Trading Co., Limited People's Republic of China Importing, exporting and distribution of building materials	**100**	100

18. Investments in subsidiaries (cont'd)

All the subsidiaries are audited by RSM Chio Lim LLP, a member firm of RSM International except for: (1) Foshan Hafary Trading Co., Limited is audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP; and (2) Hafary Trading Sdn. Bhd. and Hafary Crescent Pte. Ltd. which the unaudited management financial statements at 31 December 2021 have been used for consolidation as the subsidiaries are not material.

#a On 29 December 2021, the company's subsidiary, Hafary Pte Ltd acquired an additional 5% equity interest in World Furnishing Hub Pte. Ltd. ("WFH") from its non-controlling interest for a cash consideration of $1,850,000. Prior to the acquisition, management considers WFH as a subsidiary as the group has management control over WFH through its indirect interest in WFH, via a director and a substantial shareholder, and the group is exposed, or has rights, to variable returns from its involvement with WFH and has the ability to affect those returns through its power over WFH, even though the group owned 46% interest in WFH. As a result of this acquisition, the group holds 51% interests in WFH.

The carrying value of the non-controlling interest acquired in WFH was -$240,000. The difference between the consideration and the carrying value of the additional interest acquired of $2,090,000 has been recognised as an "acquisition of a non-controlling interest without a change in control" and accounted within equity of the group.

The carrying amounts of non-controlling interests are as follows:

	Group	
	2021	2020
	$'000	$'000
Surface Project Pte. Ltd.	**3,816**	4,274
World Furnishing Hub Pte. Ltd.	**(1,877)**	(2,286)
Other subsidiaries with immaterial non-controlling interests	**(8)**	171
Total	**1,931**	2,159

Below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. These are presented before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Revenue	**18,479**	12,565	**4,802**	4,283
Profit before income tax	**1,712**	670	**774**	411
Income tax (expense) income	**(238)**	18	**(463)**	(263)
Profit, net of tax	**1,474**	688	**311**	148
Total comprehensive income	**1,474**	688	**311**	148
Total comprehensive income allocated to non-controlling interests	**442**	206	**152**	80
Dividends paid to non-controlling interests	**900**	98	**–**	–

18. Investments in subsidiaries (cont'd)

Summarised statement of financial position:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current				
Assets	**18,940**	16,017	**292**	260
Liabilities	**(6,495)**	(2,175)	**(8,966)**	(7,904)
Total current net assets (liabilities)	**12,445**	13,842	**(8,674)**	(7,644)
Non-current				
Assets	**359**	586	**49,733**	51,929
Liabilities	**(87)**	(185)	**(44,887)**	(48,425)
Total non-current net assets	**272**	401	**4,846**	3,504
Net assets (liabilities)	**12,717**	14,243	**(3,828)**	(4,140)

Summarised statement of cash flows:

	Surface Project Pte. Ltd.		World Furnishing Hub Pte. Ltd.	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Net cash flows from (used in) operating activities	**4,238**	(65)	**7,486**	3,277
Net cash flows from (used in) investing activities	**76**	73	**(139)**	1,785
Net cash flows used in financing activities	**(3,085)**	(413)	**(7,295)**	(5,044)

19. Investment in an associate

	Group	
	2021	2020
	$'000	$'000
Unquoted equity shares at cost	**2,061**	2,061
Goodwill at cost	**758**	758
Share of post-acquisition profit, net of dividends	**14,688**	12,934
Carrying amount	**17,507**	15,753
Movements in carrying amount:		
At beginning of the year	**15,753**	15,620
Share of profit for the year	**1,206**	1,775
Dividends	**–**	(1,410)
Foreign exchange adjustments	**548**	(232)
At end of the year	**17,507**	15,753

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

19. Investment in an associate (cont'd)

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**	
	2021	**2020**
	%	**%**
Viet Ceramics International Joint Stock Company [#a] Socialist Republic of Vietnam Importer and dealer of building materials	**49**	49

[#a] Audited by RSM Vietnam Auditing & Consulting Limited, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

The summarised financial information of the associate and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associate are as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Dividends received from the associate	**–**	1,410
Revenue	**39,776**	46,422
Profit for the year	**2,461**	3,622
Non-current assets	**3,644**	3,643
Current assets	**42,504**	39,410
Current liabilities	**(12,034)**	(11,409)
Reconciliation:		
Net assets of the associate	**34,114**	31,644
Proportion of the group's interest in the associate	**16,716**	15,506
Goodwill on acquisition	**758**	758
Intangible assets on acquisition	**90**	90
Foreign exchange adjustments	**(57)**	(601)
	17,507	15,753

20. Investments in joint ventures

	Group 2021 $'000	Group 2020 $'000
Unquoted equity shares at cost	**3,195**	3,195
Share of post-acquisition losses, net of dividends	**(390)**	(540)
Carrying amount	**2,805**	2,655
Movements in carrying amount:		
At beginning of the year	**2,655**	2,503
Share of profits for the year	**356**	68
Dividends	**(350)**	(28)
Foreign exchange adjustments	**144**	112
At end of the year	**2,805**	2,655
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	**2,236**	2,437

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 2021 %**	**Equity held by the Group 2020 %**
Melmer Stoneworks Pte. Ltd. [#a] Singapore Cutting, shaping and finishing of stone	**50**	50
Guangdong ITA Element Building Materials Co., Limited [#b] People's Republic of China Production and distribution of tiles	**50**	50
Hafary Myanmar Investment Pte. Ltd. [#a] Singapore Investment holding	**33**	33

[#a] Audited by RSM Chio Lim LLP, a member firm of RSM International.

[#b] Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP.

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.

20. Investments in joint ventures (cont'd)

There is a joint venture that is considered material to the reporting entity. The summarised financial information of the joint venture and the amounts (and not the reporting entity's share of those amounts) based on the financial statements are as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Guangdong ITA Element Building Materials Co., Limited		
Revenue	**16,262**	8,728
Profit (loss) for the year	**539**	(100)
Non-current assets	**2,881**	387
Current assets	**9,236**	9,092
Non-current liabilities	**(3,083)**	(2,228)
Current liabilities	**(4,804)**	(2,609)
Reconciliation:		
Net assets of the joint venture	**4,230**	4,642
Proportion of the group's interest in the joint venture	**2,115**	2,321
Foreign exchange adjustments	**121**	116
	2,236	2,437

21. Other financial assets, non-current

	Group and Company	
	2021	**2020**
	$'000	**$'000**
Quoted equity investment at fair value through profit or loss	**340**	412
Movements during the year:		
Fair value at beginning of the year	**412**	522
Decrease in fair value through profit or loss under other losses (Note 7)	**(72)**	(110)
Fair value at end of the year (Level 1)	**340**	412

The quoted equity investment is in the retail and distribution industry in Singapore and listed on Singapore Stock Exchange.

The fair value of the financial asset approximates to bid prices in an active market at the end of the reporting year. The financial asset is exposed to price risk of equity shares as disclosed in Note 36H.

There is no investment pledged as security for liabilities.

22. Inventories

	Group 2021 $'000	Group 2020 $'000
Goods held for resale	**46,249**	50,938
Inventories are stated after allowance. Movements in allowance:		
At beginning of the year	**10,784**	6,716
Charged to profit or loss included in impairment losses (Note 9)	**7,614**	4,068
At end of the year	**18,398**	10,784

There are no inventories pledged as security for liabilities.

23. Trade and other receivables

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Trade receivables:				
Outside parties	**28,732**	23,894	**–**	–
Less: Allowance for impairment	**(2,149)**	(1,807)	**–**	–
Subsidiaries (Note 3)	**–**	–	**1,602**	1,117
Joint venture (Note 3)	**846**	261	**–**	–
Other related parties (Note 3)	**35**	26	**–**	–
Director (Note 3)	**–**	404	**–**	–
Retention receivables on contracts	**2,041**	1,452	**–**	–
Subtotal	**29,505**	24,230	**1,602**	1,117
Other receivables:				
Outside parties	**197**	742	**–**	1
Job Support Scheme grant receivables	**–**	634	**–**	2
Subsidiaries (Note 3)	**–**	–	**29,463**	29,409
Joint ventures (Note 3) [#a]	**3,834**	3,610	**–**	–
Less: Allowance for impairment	**(350)**	–	**–**	–
Associate (Note 3) [#b]	**1,366**	–	**–**	–
Other related parties (Note 3)	**4**	15	**–**	–
Refundable deposits	**1,177**	729	**–**	–
Subtotal	**6,228**	5,730	**29,463**	29,412
Total trade and other receivables	**35,733**	29,960	**31,065**	30,529
Movements in above allowance on trade receivables:				
At beginning of the year	**1,807**	1,595	**–**	–
Additions – individually impaired (Note 9)	**579**	317	**–**	–
(Reversal) additions – collectively impaired (Note 9)	**(46)**	28	**–**	–
Bad debts written-off	**(191)**	(133)	**–**	–
At end of the year	**2,149**	1,807	**–**	–

23. Trade and other receivables (cont'd)

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Movements in above allowance on other receivables:				
At beginning of the year	–	–	–	–
Additions – individually impaired (Note 9)	350	–	–	–
At end of the year	350	–	–	–

[#a] Included in other receivables is a loan to a joint venture amounting to $2,220,000 (2020: $2,092,000) which is unsecured, bears interest at 4.0% (2020: 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.

[#b] As at 31 December 2021, included in other receivables is a loan to an associate amounting to $1,352,000 which is unsecured, bears interest at 3.5% per annum and repayable on demand.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

As the group and company do 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 (Note 36E).

(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.

(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:

- 94% (2020: 93%) of the group's trade receivables from Singapore.
- 6% (2020: 7%) 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 (2020: 60 days). But some customers take a longer period to settle the amounts.

23. Trade and other receivables (cont'd)

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of the reporting year but not impaired:

	Group	
	2021	2020
	$'000	$'000
Trade receivables:		
1 to 30 days	**3,525**	3,146
31 to 60 days	**1,834**	738
61 to 90 days	**1,082**	688
Over 90 days	**4,801**	5,187
Total	**11,242**	9,759

(b) Ageing analysis as at the end of the reporting year of trade receivable amounts that are impaired:

	Group	
	2021	2020
	$'000	$'000
Trade receivables:		
Over 90 days	**1,976**	1,588

The allowance on trade receivables above is based on individual accounts totalling $1,976,000 (2020: $1,588,000) of the group that are determined to be impaired at the end of the reporting year. These are not secured.

Expected credit losses

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 including the impact of COVID-19 pandemic. The allowance model 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 ageing of the trade receivables is as follows:

Group:	Gross amount $'000	Expected loss rate %	Loss allowance $'000
2021:			
Current	**17,546**	**0.3**	**49**
1 to 30 days past due	**3,525**	**1.2**	**44**
31 to 60 days past due	**1,834**	**1.8**	**33**
61 to 90 days past due	**1,082**	**0.5**	**5**
Over 90 days past due	**2,824**	**1.5**	**42**
Total	**26,811**	**0.6**	**173**

23. Trade and other receivables (cont'd)

Expected credit losses (cont'd)

Group	Gross amount $'000	Expected loss rate %	Loss allowance $'000
2020:			
Current	12,716	0.6	76
1 to 30 days past due	3,146	2.7	85
31 to 60 days past due	738	2.2	16
61 to 90 days past due	688	1.2	8
Over 90 days past due	3,599	0.9	34
Total	20,887	1.0	219

The loss allowance of $173,000 (2020: $219,000) for the group is included in the allowance for impairment of receivables amounting to $2,149,000 as at 31 December 2021 (2020: $1,807,000). There is no collateral held as security and other credit enhancements for the trade receivables held by the group and company.

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.

At the end of the reporting year ended 31 December 2021, a loss allowance of $350,000 (2020: Nil) is recognised on other receivables.

24. Other non-financial assets

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Advance payments to suppliers	**5,810**	4,843	**–**	–
Contract assets (Note 24A)	**144**	159	**–**	–
Prepayments	**342**	113	**8**	9
Deposits to secure services	**408**	254	**77**	–
Lease incentive	**80**	3	**–**	–
Total other non-financial assets	**6,784**	5,372	**85**	9

24A. Contract assets

	Group	
	2021 $'000	2020 $'000
Consideration for work completed but not billed	**144**	159

The movements in contract assets are as follows:

At beginning of the year	**159**	462
Cost incurred during the year on uncompleted contracts	**1,078**	1,176
Transfers to trade receivables	**(1,093)**	(1,479)
At the end of the year	**144**	159

24. Other non-financial assets (cont'd)

24A. Contract assets (cont'd)

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:

	Group 2021 $'000	Group 2020 $'000
Expected to be recognised as revenue within 1 year	**144**	159

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional.

25. Cash and cash equivalents

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Not restricted in use	**6,070**	5,211	**20**	22

The interest earning balances are not significant.

25A. Non-cash transactions

	Group 2021 $'000	Group 2020 $'000
Acquisitions of certain assets under property, plant and equipment that remains unpaid included under other payables	**(614)**	–
Acquisitions of certain assets under right-of-use assets under lease contracts	**(4,199)**	–
	(4,813)	–

25. Cash and cash equivalents (cont'd)

25B. Reconciliation of liabilities arising from financing activities

Group:	At beginning of the year $'000	Cash flows $'000	Non-cash changes $'000	At end of the year $'000
2021				
Long-term borrowings	**82,256**	**30,668**	**–**	**112,924**
Short-term borrowings	**34,597**	**20,545**	**–**	**55,142**
Lease liabilities	**10,236**	**(1,385)**	**4,566** [a][b]	**13,417**
Total liabilities from financing activities	**127,089**	**49,828**	**4,566**	**181,483**
2020				
Long-term borrowings	77,673	4,583	–	82,256
Short-term borrowings	55,311	(20,714)	–	34,597
Lease liabilities	11,680	(1,608)	164 [a][b]	10,236
Total liabilities from financing activities	144,664	(17,739)	164	127,089

[a] Net of COVID-19 related rent concessions from lessors of $14,000 (2020: $74,000).
[b] Interest expense and modification of lease liabilities.

26. Share capital

	Group and company Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	**430,550**	**26,930**

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

Capital management:

In order to maintain its listing on the Singapore Stock Exchange, it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

26. Share capital (cont'd)

Capital management (cont'd):

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2021	2020
	$'000	$'000
Net debt:		
All current and non-current borrowings including leases	**181,483**	127,089
Less: Cash and cash equivalents	**(6,070)**	(5,211)
Net debt	**175,413**	121,878
Adjusted capital:		
Total equity	**77,406**	73,468
Debt-to-adjusted capital ratio	**226.6%**	165.9%

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debts.

27. 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.

28. Other financial liabilities

	Group 2021 $'000	Group 2020 $'000
Non-current:		
With floating interest rates:		
Bank loan F (secured) (Note 28C)	**9,660**	10,948
Bank loan H (secured) (Note 28E)	**40,064**	44,869
Bank loan I (secured) (Note 28F)	**8,513**	9,934
Bank loan J (secured) (Note 28F)	**7,662**	8,940
Bank loan K (secured) (Note 28G)	**2,320**	2,517
Bank loan P (secured) (Note 28I)	**12,190**	–
Bank loan R (secured) (Note 28J)	**27,044**	–
Bank loan S (secured) (Note 28K)	**418**	–
Subtotal	**107,871**	77,208
With fixed interest rates:		
Bank loan M (secured) (Note 28H)	**1,903**	2,638
Bank loan N (secured) (Note 28H)	**1,433**	1,920
Bank loan O (secured) (Note 28H)	**368**	490
Bank loan Q (secured) (Note 28H)	**1,349**	–
Subtotal	**5,053**	5,048
Non-current, total	**112,924**	82,256
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 28A)	**2,000**	2,000
Bank loan B (secured) (Note 28A)	**7,000**	7,000
Bank loan C (secured) (Note 28A)	**1,500**	2,500
Bank loan D (secured) (Note 28B)	**2,500**	2,000
Bank loan E (secured) (Note 28B)	**1,500**	900
Bank loan F (secured) (Note 28C)	**1,066**	844
Bank loan G (secured) (Note 28D)	**4,500**	2,500
Bank loan H (secured) (Note 28E)	**4,145**	1,500
Bank loan I (secured) (Note 28F)	**1,216**	1,012
Bank loan J (secured) (Note 28F)	**1,095**	911
Bank loan K (secured) (Note 28G)	**172**	147
Bank loan L (secured) (Note 28A)	**5,500**	2,500
Bank loan P (secured) (Note 28I)	**610**	–
Bank loan R (secured) (Note 28J)	**756**	–
Bank loan S (secured) (Note 28K)	**96**	–
Trust receipts and bills payable (Note 28L)	**19,992**	10,331
Subtotal	**53,648**	34,145

28. Other financial liabilities (cont'd)

	Group 2021 $'000	Group 2020 $'000
With fixed interest rates:		
Bank loan M (secured) (Note 28H)	**735**	362
Bank loan N (secured) (Note 28H)	**487**	80
Bank loan O (secured) (Note 28H)	**121**	10
Bank loan Q (secured) (Note 28H)	**151**	–
Subtotal	**1,494**	452
Current, total	**55,142**	34,597
Total	**168,066**	116,853
The non-current portion is repayable as follows:		
Due within two to five years	**43,445**	32,314
After five years	**69,479**	49,942
Total non-current portion	**112,924**	82,256

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

	Group 2021 %	Group 2020 %
Bank loan A (secured)	**1.55 to 1.68**	1.55 to 3.05
Bank loan B (secured)	**1.55 to 1.60**	1.55 to 3.05
Bank loan C (secured)	**1.76 to 1.86**	1.76 to 3.26
Bank loan D (secured)	**1.75 to 1.95**	1.67 to 3.44
Bank loan E (secured)	**1.75 to 1.80**	1.75 to 3.05
Bank loan F (secured)	**1.95**	1.95 to 2.38
Bank loan G (secured)	**1.55 to 1.85**	1.55 to 3.05
Bank loan H (secured)	**2.25**	2.25 to 3.26
Bank loan I (secured)	**1.95**	1.95 to 2.50
Bank loan J (secured)	**1.95**	1.95 to 2.50
Bank loan K (secured)	**2.08**	2.08 to 2.38
Bank loan L (secured)	**1.76 to 1.86**	1.76 to 3.25
Bank loan P (secured)	**1.30**	–
Bank loan R (secured)	**1.50**	–
Bank loan S (secured)	**1.30**	–
Trust receipts and bills payable	**1.05 to 2.11**	1.00 to 3.74

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

	Group 2021 %	Group 2020 %
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 Q (secured)	**2.00**	–

28. Other financial liabilities (cont'd)

28A. 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 15) and leasehold land (Note 16).
(iii) Corporate guarantee from the company.
(iv) Need to comply with certain financial covenants.

28B. 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.

28C. Bank loan F (secured)

The agreements relate to two bank loans. They 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 15) and leasehold land (Note 16).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

28D. 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 15) and leasehold land (Note 16).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

28E. 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 15) and leasehold land (Note 16).
(iii) Legal assignment of insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the leasehold property.
(iv) Joint and several corporate guarantees from the company and a subsidiary.
(v) Personal guarantees from a director and a substantial shareholder.
(vi) Need to comply with certain financial covenants.

28. Other financial liabilities (cont'd)

28F. 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 15) and leasehold land (Note 16).
(iii) Corporate guarantees from the company and a subsidiary.
(iv) Need to comply with certain financial covenants.

28G. 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 17).
(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.

28H. Bank loans M, N, O and Q (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.

28I. 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 15).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

28J. 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 15).
(iv) Corporate guarantee from a subsidiary.
(v) Need to comply with certain financial covenants.

28. Other financial liabilities (cont'd)

28K. 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 15).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

28L. Trust receipts and bills payable

These are repayable within 150 to 180 days (2020: 150 to 180 days) and are guaranteed by the company.

29. Lease liabilities

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Lease liabilities, current	**926**	881	**50**	47
Lease liabilities, non-current	**12,491**	9,355	**51**	101
	13,417	10,236	**101**	148

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Total lease liabilities at beginning of reporting year	**10,236**	11,680	**148**	193
Additions	**4,199**	–	**–**	–
Remeasurement	**–**	(77)	**–**	–
Accretion of interest	**386**	324	**5**	7
Lease payments – principal portion paid	**(1,399)**	(1,682)	**(47)**	(45)
Interest paid	**(5)**	(9)	**(5)**	(7)
Total lease liabilities at end of reporting year	**13,417**	10,236	**101**	148

29. Lease liabilities (cont'd)

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.

Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amounts of motor vehicles under lease liabilities	**172**	350	**172**	266

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

A summary of the maturity analysis of lease liabilities is disclosed in Note 36E. Total cash outflows from leases are shown in the consolidated statement of cash flows. The related right-of-use assets are disclosed in Note 16.

During the reporting year, expense of the group relating to short-term leases included in other expenses was $977,000 (2020: $536,000) (Note 11).

30. Provision

	Group	
	2021	**2020**
	$'000	**$'000**
Provision for rebates	**924**	725
Movements in above provision:		
Balance at beginning of the year	**725**	636
Additions	**924**	725
Used	**(725)**	(636)
Balance at end of the year	**924**	725

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (2020: 60 days).

31. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**12,405**	8,880	**960**	543
Joint ventures (Note 3)	**92**	80	**–**	–
Other related parties (Note 3)	**1,143**	1,270	**–**	–
Subtotal	**13,640**	10,230	**960**	543
Other payables:				
Outside parties	**1,512**	1,270	**–**	–
Subsidiaries (Note 3)	**–**	–	**9,400**	9,400
Joint venture (Note 3)	**–**	95	**–**	–
Director cum shareholder (Note 3)	**1,408**	2,461	**–**	–
Shareholder (Note 3)	**1,108**	2,219	**–**	–
Subtotal	**4,028**	6,045	**9,400**	9,400
Total trade and other payables	**17,668**	16,275	**10,360**	9,943

32. Other non-financial liabilities

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Contract liabilities – advance payments from customers	**4,799**	4,607	**–**	–
Deferred rental income	**–**	17	**–**	–
Deferred grant income	**–**	735	**–**	3
Lease incentives	**38**	–	**–**	–
Total other non-financial liabilities	**4,837**	5,359	**–**	3

The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the goods or service transfers to the customer.

33. Derivative financial (liabilities) assets

	Group	
	2021	2020
	$'000	$'000
Forward foreign exchange contracts	**(64)**	9
The movements during the year were as follows:		
Balance at beginning of the year	**9**	(23)
(Decrease) increase in fair value through profit or loss under (other losses) other gains (Note 7)	**(73)**	32
Balance at end of the year	**(64)**	9

33. Derivative financial (liabilities) assets (cont'd)

33A. Forward foreign exchange contracts

The gross amounts of all notional values for contracts that have not yet been settled or cancelled at the end of the reporting year were as follows:

	Reference currency						Total
	United States Dollar		Euro		Chinese Renminbi		
Group:	Principal	Fair value	Principal	Fair value	Principal	Fair value	Fair value
Maturity	US$'000	$'000	€'000	$'000	RMB'000	$'000	$'000
2021:							
Within 2 months	**324**	**(1)**	**1,450**	**(45)**	**90**	**–**	**(46)**
Within 3 to 4 months	**–**	**–**	**960**	**(18)**	**–**	**–**	**(18)**
	324	**(1)**	**2,410**	**(63)**	**90**	**–**	**(64)**
2020:							
Within 2 months	169	(1)	553	15	–	–	14
Within 3 to 4 months	69	(2)	680	(2)	–	–	(4)
Within 5 to 6 months	–	–	–	–	–	–	–
Within 7 to 8 months	179	(1)	–	–	–	–	(1)
	417	(4)	1,233	13	–	–	9

The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

The purpose of these contracts is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in the foreign currencies indicated above. The forward currency contracts are put in place in order to hedge the anticipated purchases that will be made in the foreign currencies indicated over the next reporting year.

The fair value (Level 2) of forward foreign exchange contracts is based on current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

34. Capital commitments

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

	Group	
	2021	2020
	$'000	$'000
Commitments to purchase plant and equipment	**1,488**	2,410
Commitments to acquire a leasehold property	**7,902**	–
Commitments to acquire 30% shareholdings held by NCI (Note 39)	**3,020**	–
Contractual obligations for construction works	**1,614**	–
Total	**14,024**	2,410

35. Operating lease income commitments – as lessor

A maturity analysis of the undiscounted lease amounts to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years is as follows:

	Group	
	2021	2020
	$'000	$'000
Not later than one year	**3,850**	3,380
Between one and two years	**2,735**	1,967
Between two and three years	**753**	1,255
Between three and four years	**–**	25
Total	**7,338**	6,627
Rental income for the year (Note 5)	**3,888**	3,339

Operating lease income commitments are for certain leasehold and freehold properties. The lease rental income terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of rent increase is not to exceed a certain percentage.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As the lessor, the group manages the risk associated with any rights it retains in the underlying assets including any means to reduce that risk. Such means may include, insurance coverage, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits, having clauses in the leases providing for compensation to the lessor when a property has been subjected to excess wear-and-tear during the lease term.

36. Financial instruments: information on financial risks

36A. 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 year:

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Financial assets:				
Financial assets at amortised cost	**41,803**	35,171	**31,085**	30,551
Financial assets at fair value through profit or loss	**340**	412	**340**	412
Derivatives financial instruments at fair value	**–**	9	**–**	–
	42,143	35,592	**31,425**	30,963
Financial liabilities:				
Financial liabilities at amortised cost	**199,151**	143,364	**10,461**	10,091
Derivatives financial instruments at fair value	**64**	–	**–**	–
	199,215	143,364	**10,461**	10,091

Further quantitative disclosures are included throughout these financial statements.

36. Financial instruments: information on financial risks (cont'd)

36B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

(i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.
(ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
(iii) All financial risk management activities are carried out and monitored by senior management staff.
(iv) All financial risk management activities are carried out following market practices.
(v) When appropriate, consideration is given to investing in shares or similar instruments.
(vi) When appropriate, consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

The financial controller who monitors the procedures and reports to the Audit Committee of the board.

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

36C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying amounts of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

36D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counter-parties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach (that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life) is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables and contract assets. For credit risk on trade receivables, contract assets and other financial assets, an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

36. Financial instruments: information on financial risks (cont'd)

36D. Credit risk on financial assets (cont'd)

The group's and the company's major classes of financial assets are bank deposits and trade receivables.

Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

Other receivables are normally with no fixed terms and therefore there is no maturity.

36E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity.

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

Group:	Less than 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	More than 5 years $'000	Total $'000
2021:					
Gross loans and borrowings	**57,721**	**25,710**	**23,052**	**75,085**	**181,568**
Lease liabilities	**1,313**	**1,798**	**1,228**	**16,532**	**20,871**
Trade and other payables	**17,668**	**–**	**–**	**–**	**17,668**
	76,702	**27,508**	**24,280**	**91,617**	**220,107**
2020:					
Gross loans and borrowings	37,479	15,450	22,566	54,902	130,397
Lease liabilities	1,174	1,739	1,181	10,974	15,068
Trade and other payables	16,275	–	–	–	16,275
	54,928	17,189	23,747	65,876	161,740

Company:	Less than 1 year $'000	1 to 3 years $'000	Total $'000
2021:			
Lease liabilities	**53**	**53**	**106**
Trade and other payables	**10,360**	**–**	**10,360**
	10,413	**53**	**10,466**
2020:			
Lease liabilities	53	106	159
Trade and other payables	9,943	–	9,943
	9,996	106	10,102

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the report date.

The following table analyses the derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Less than 1 year	
	2021	**2020**
	$'000	**$'000**
Group:		
Forward currency forward contracts	**4,208**	2,549

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counter-party has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Financial guarantee contracts - For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company:	**Less than 1 year $'000**	**1 to 3 years $'000**	**3 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
2021:					
Financial guarantee contracts in favour of subsidiaries (Note 3)	**52,276**	**16,216**	**14,251**	**34,698**	**117,441**
2020:					
Financial guarantee contracts in favour of subsidiaries (Note 3)	33,792	10,721	14,654	33,720	92,887

The average credit period taken to settle trade payables is about 60 days (2020: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.

36. Financial instruments: information on financial risks (cont'd)

36F. Interest rate risk

The interest rate risk exposure is from changes in fixed and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The interest from financial assets including cash balances is not significant.

The following table analyses the breakdown of the significant financial instruments by type of interest rate at the end of the reporting year:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Financial liabilities:				
Fixed rates	**19,964**	15,736	**101**	148
Floating rates	**161,519**	111,353	**–**	–
	181,483	127,089	**101**	148

The floating rate debt instruments are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2021	**2020**
	$'000	**$'000**
Financial liabilities:		
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax profit for the year by	**1,615**	1,114

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

36G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency that is a currency other than the functional currency in which they are measured. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency as defined in the financial reporting standard on financial instruments: disclosures.

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risk (cont'd)

Analysis of amounts of financial assets and financial liabilities denominated in non-functional currencies at end of the reporting year is as follows:

Group 2021:	United States Dollar $'000	Euro $'000	Chinese Renminbi $'000	Total $'000
Financial assets:				
Cash and cash equivalents	**788**	**62**	**–**	**850**
Loans and receivables	**3,418**	**311**	**–**	**3,729**
Total financial assets	**4,206**	**373**	**–**	**4,579**
Financial liabilities:				
Other financial liabilities	**–**	**(6,961)**	**–**	**(6,961)**
Trade and other payables	**(4,417)**	**(154)**	**(2,074)**	**(6,645)**
Total financial liabilities	**(4,417)**	**(7,115)**	**(2,074)**	**(13,606)**
Net financial liabilities	**(211)**	**(6,742)**	**(2,074)**	**(9,027)**
2020:				
Financial assets:				
Cash and cash equivalents	342	81	–	423
Loans and receivables	1,999	–	–	1,999
Total financial assets	2,341	81	–	2,422
Financial liabilities:				
Other financial liabilities	–	(4,347)	–	(4,347)
Trade and other payables	(3,667)	(227)	(1,184)	(5,078)
Total financial liabilities	(3,667)	(4,574)	(1,184)	(9,425)
Net financial (liabilities) assets	(1,326)	(4,493)	(1,184)	(7,003)

There is exposure to foreign currency risk as part of the group's normal business. In particular, there is significant exposure to United States Dollar, Euro and Chinese Renminbi currency risk due to the large value of purchases denominated in these currencies and the group sells its goods in Singapore Dollar. In this respect, forward currency contracts are entered into for the purpose of hedging the purchases in United States Dollar, Euro and Chinese Renminbi. Note 33A disclosed the forward currency contracts in place at the end of the reporting year.

Sensitivity analysis:

	Group 2021 $'000	 2020 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the following currencies with all other variables held constant would have a favourable effect on pre-tax profit of:		
United States Dollar	**21**	133
Euro	**674**	449
Chinese Renminbi	**207**	118

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risk (cont'd)

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the group has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

36H. Equity price risk

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities.

Sensitivity analysis: The effect on pre-tax profit is not significant.

37. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the group are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS(I) No.	Title
SFRS(I) 16	COVID-19 Related Rent Concessions – Amendment to (The 2021 amendment extends the limit from 30 June 2021 to 30 June 2022)

38. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the group for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the group's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-1	Presentation of Financial Statements – Amendment relating to Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 1-8	Definition of Accounting Estimates – Amendments to	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to	1 January 2023
SFRS(I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments to	1 January 2022
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Various	Annual Improvements to FRSs 2018-2020	1 January 2022

39. Events after the end of the reporting year

a) On 17 January 2022, the wholly-owned subsidiary of the company, Hafary Pte Ltd ("HPL") acquired an additional shareholdings of 30% in World Furnishing Hub Pte. Ltd. ("WFH") for a consideration of $3,020,000. WFH became 81% owned subsidiary of HPL on 17 January 2022.

b) On 4 February 2022, the wholly-owned subsidiary of HPL, Hafary Crescent Pte. Ltd. acquired a leasehold property for a consideration of $8,780,000.

STATISTICS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2022

Number of shares	:	430,550,000
Class of equity securities	:	Ordinary
Voting rights	:	One vote per ordinary share
Treasury shares and subsidiary holdings held	:	NIL

Distribution of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	–	–	–	–
100 – 1,000	27	4.37	12,700	–*
1,001 – 10,000	162	26.21	1,128,070	0.26
10,001 – 1,000,000	414	66.99	29,896,250	6.95
1,000,001 AND ABOVE	15	2.43	399,512,980	92.79
TOTAL	**618**	**100.00**	**430,550,000**	**100.00**

* Less than 0.01%

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82	–	–
HAP SENG CONSOLIDATED BERHAD[1]	–	–	218,790,000	50.82
GEK POH (HOLDINGS) SDN BHD[1]	–	–	218,790,000	50.82
MAGIC PRINCIPLE ASSETS LIMITED[2]	–	–	218,790,000	50.82
HSBC INTERNATIONAL TRUSTEE LIMITED[2]	–	–	218,790,000	50.82
TAN SRI DATUK SERI PANGLIMA LAU CHO KUN @ LAU YU CHAK[3]	–	–	218,790,000	50.82
LOW KOK ANN[4]	36,847,403	8.56	–	–
LOW SEE CHING[4, 5]	49,667,300	11.54	20,000,000	4.65
LOW BEE LAN AUDREY[4]	22,133,857	5.14	–	–
TEE WEE SIEN[6]	35,574,580	8.26	1,915,400	0.44

Notes:

(1) Gek Poh (Holdings) Sdn. Bhd. ("GPH") holds a 62.64% comprising direct and indirect interest of 54.63% and 8.01% respectively in Hap Seng Consolidated Berhad ("HSCB"), which wholly-owns Hap Seng Investment Holdings Pte Ltd ("HSIHPL"). GPH and HSCB are each deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act 1967 (the "Act").

(2) Magic Principle Assets Limited ("MPAL") holds a 44% interest in GPH, and is wholly-owned by HSBC International Trustee Limited ("HSBC"). MPAL and HSBC are deemed interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.

(3) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in GPH, and is deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.

(4) Low Kok Ann is the father of Low See Ching and Low Bee Lan Audrey.

(5) 20,000,000 ordinary shares are held in the name of DB Nominees (Singapore) Pte Ltd.

(6) 1,915,400 ordinary shares are held in the name of OCBC Securities Private Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 28 FEBRUARY 2022

Twenty Largest Shareholders

NO.	NAME	NO. OF SHARES	%
1	HAP SENG INVESTMENT HOLDINGS PTE LTD	218,790,000	50.82
2	LOW SEE CHING (LIU SHIJIN)	49,667,300	11.54
3	LOW KOK ANN	36,847,403	8.56
4	TEE WEE SIEN (ZHENG WEIXIAN)	35,574,580	8.26
5	LOW BEE LAN AUDREY	22,133,857	5.14
6	DB NOMINEES (SINGAPORE) PTE LTD	20,011,000	4.65
7	PHILLIP SECURITIES PTE LTD	2,363,160	0.55
8	PHOON WAIE KUAN	2,295,480	0.53
9	OCBC SECURITIES PRIVATE LIMITED	2,106,100	0.49
10	DBS NOMINEES (PRIVATE) LIMITED	2,011,000	0.47
11	UOB KAY HIAN PRIVATE LIMITED	1,948,600	0.45
12	HONG LEONG FINANCE NOMINEES PTE LTD	1,813,100	0.42
13	CITIBANK NOMINEES SINGAPORE PTE LTD	1,424,900	0.33
14	LOW EE HWEE	1,277,200	0.30
15	NOVA FURNISHING HOLDINGS PTE LTD	1,249,300	0.29
16	GOH KEE CHOO (WU QIZHU)	995,700	0.23
17	LYE IR-WIN BRUCE	711,400	0.17
18	TAY ENG KIAT JACKSON (ZHENG YINGJIE)	650,000	0.15
19	RAFFLES NOMINEES (PTE.) LIMITED	638,120	0.15
20	NG CHWEE TEE	578,400	0.13
	TOTAL	**403,086,600**	**93.63**

Percentage of Shareholding in Public Hands

10.60% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of The Singapore Exchange Securities Trading Limited Listing Manual.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Low See Ching, who is seeking re-election as Director at the forthcoming Annual General Meeting.

Name	:	**Low See Ching** Non-Independent Non-Executive Director
Date Of first Appointment	:	31 January 2014 (Re-designated to Non-Independent Non-Executive Director) 6 October 2009 (Executive Director and CEO)
Age	:	47
Country of Principal Residence	:	Singapore
Date of last re-appointment	:	24 April 2019
The Board's comments on this appointment (including rationale, election criteria, section criteria, board diversity considerations, and the search and nomination process)	:	The Board has considered the Nomination Committee's recommendation and assessments of Mr Low's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	:	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Non-Independent Non-Executive Director
Professional qualifications	:	• Bachelor of Accountancy Degree, Nanyang Technological University
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	Son of Low Kok Ann (Executive Director and Chief Executive Officer)
Conflict of interest (including any competing business)	:	No
Working experience and occupation(s) during the past 10 years	:	Listed Companies: • Hafary Holdings Limited (Non-Independent Non Executive Director) Date of Appointment: 31 January 2014 He joined Hafary Group in 2000 and rose through the ranks to Executive Director and CEO in 2005 before relinquishing his role to be a Non-Independent Non Executve Director in January 2014.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Low See Ching** Non-Independent Non-Executive Director
		• Oxley Holdings Limited (Executive Director and Deputy CEO) Date of Appointment: 1 February 2014 Prior to this appointment, Mr Low served on the Board as Non-Executive Director. • Aspen Group Holdings Limited (Alternate Director) Date of Appointment: 25 May 2018 He had also served on the boards of 2 other SGX-listed companies over the past 10 years. He has since stepped down from these boards.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1) has been submitted to Hafary	:	Yes
Shareholding interest in the listed issuer and its subsidiaries	:	Yes
Shareholding Details	:	Hafary Holdings Ltd: 109,127,180 ordinary shares (under own name) (as at 17 March 2022) Hafary Balestier Showroom Pte. Ltd.: 49 ordinary shares World Furnishing Hub Pte. Ltd.: 190,000 ordinary shares
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	:	<u>Non-listed companies:</u> • 457 Balestier Pte. Ltd. • APDB Private Limited • Clearbridge Medical Group Pte. Ltd. • Oxley Batam Pte. Ltd. • Oxley Beryl Pte. Ltd. • Oxley Assets Pte. Ltd. • Oxhm Pte. Ltd. • Oxley Module Pte. Ltd. • Oxley Niche Pte. Ltd. • Oxley Petalite Pte. Ltd. • Oxley Zircon Pte. Ltd. • Metro Global Solutions Pte. Ltd. • Orchard Suites Residence Pte. Ltd. • Oxley Blossom Pte. Ltd. • Oxley Mosaic Pte. Ltd. • Automobile Pre Delivery Base Pte. Ltd. • Boulevard Channel Sdn Bhd • Bullish Investment Pte. Ltd. • Galaxy Land Pte. Ltd. • Galliard Group Limited

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Low See Ching** Non-Independent Non-Executive Director
		<u>Non-listed companies: (Continued)</u> • Oxley Land Sdn Bhd • Oxley Development Sdn Bhd • Oxley Realty Sdn Bhd • Oxley Sims Pte. Ltd. • Oxley Star Pte. Ltd. • Oxley Australia Management Pty Ltd • Oxley Australia Property Holdings Pty Ltd • Oxley Bright Pte. Ltd. • Oxley Zest Pte. Ltd. • Oxley Zhong Xin Yi (Chongqing) Pte. Ltd. • Northbridge Road Pte. Ltd. • PT Oxley Karya Indo Batam • Oxley Shenton Holdings Pte. Ltd. • Oxley Thu Thiem Pte. Ltd. • Oxley & Hume Builders Pte Ltd
Present	:	<u>Listed companies</u> • Hafary Holdings Limited (Non-Independent, Non-Executive Director) • Oxley Holdings Limited (Executive Director and Deputy CEO) • Aspen Group Holdings Limited (Alternate Director) <u>Non-listed companies:</u> • Action Property Pte. Ltd. • AG Capital Pte. Ltd. • AG Development (Mar Thoma) Pte. Ltd. • Agrivabriant Pte. Ltd. • Ascend Aristo Pte. Ltd. • Ascend Group Pte. Ltd. • Ascender Capital Pte. Ltd. • Ascender Investment Pte. Ltd. • AV Venture Pte. Ltd. • Centra Cove Pte. Ltd. • Citrine Property Pte. Ltd. • Four Star Industries Pte. Ltd. • GMTC Private Limited • Goldprime Land Pte. Ltd. • Hafary Balestier Showroom Pte. Ltd. • Hafary Centre Pte. Ltd. • Hafary International Pte. Ltd. • Hafary Pte Ltd • Hafary Vietnam Pte. Ltd. • Hume Homes Pte. Ltd.. • JLBE Private Limited • Kap Hotel Investments Pte. Ltd. (Alternate Director) • Marble Trends Pte. Ltd. • Melmer Stoneworks Pte. Ltd. • Metropolitan Parking Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Low See Ching** Non-Independent Non-Executive Director
		<u>Non-listed companies: (Continued)</u> • Metropolitan Parking (BTSC) Pte. Ltd. • OTRM Private Limited • Owen Private Limited • OWRD Private Limited • Oxley Amber Pte. Ltd. • Oxley Amethyst Pte. Ltd. • Oxley Ascend Realty Pte. Ltd. • Oxley Asset Management Pte. Ltd. • Oxley Australia Pte. Ltd. • Oxley Bliss Pte. Ltd. • Oxley Cambodia Pte. Ltd. • Oxley China Pte. Ltd. • Oxley Connections Pte. Ltd. • Oxley Consortium Pte. Ltd. • Oxley Cyprus Pte. Ltd. • Oxley Dublin Pte. Ltd. • Oxley Florence Pte. Ltd. • Oxley Fund Management Pte. Ltd. • Oxley Garnet Pte. Ltd. • Oxley Gem Pte. Ltd. • Oxley International Holdings Pte. Ltd. • Oxley Ireland Pte. Ltd. • Oxley Japan Pte. Ltd. • Oxley Jasper Pte. Ltd. • Oxley London Pte. Ltd. • Oxley Malaysia Pte. Ltd. • Oxley Mk Development Management Pte. Ltd. • Oxley MTN Pte. Ltd. • Oxley Myanmar Pte. Ltd. • Oxley Onyx Pte. Ltd. • Oxley Opal Pte. Ltd. • Oxley Otto Pte. Ltd. • Oxley Pearl Pte. Ltd. • Oxley Quartz Pte. Ltd. • Oxley Rising Pte. Ltd. • Oxley Sanctuary Pte. Ltd. • Oxley Serangoon Pte. Ltd. • Oxley Singapore Opportunistic Development Fund Ltd. • Oxley Sparkle Pte. Ltd. • Oxley Spinel Pte. Ltd. • Oxley Topaz Pte. Ltd. • Oxley UK Pte. Ltd. • Oxley Vibes Pte. Ltd. • Oxley Vietnam Pte. Ltd. • Oxley Viva Pte. Ltd. • Oxley YCK Pte. Ltd. • Oxley-LBD Pte. Ltd. • Rio Casa Venture Pte. Ltd. • SLB-Oxley (NIR) Pte. Ltd. • Surface Project Pte. Ltd. • Surface Stone Pte. Ltd. • W&S Flexi Pte. Ltd. • W&S Star Pte. Ltd. • Wood Culture Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Low See Ching** Non-Independent Non-Executive Director
		<u>Non-listed companies: (Continued)</u> • Work Plus Store (AMK) Pte. Ltd. • Work Plus Store (Kallang Bahru) Pte. Ltd. • Work Plus Store (Kallang) Pte. Ltd. • World Furnishing Hub Pte. Ltd. • 3 Tank Pte. Ltd. • 65 SAR Pte. Ltd. • 39 NR Pte. Ltd. • 44 NCR Pte. Ltd. • 471 Balestier Pte. Ltd. • EC272 Pte. Ltd. • PHS18 Pte. Ltd. • TAP Venture One Pte. Ltd. • The Assembly Place Pte. Ltd.
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	:	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	:	No
(c) Whether there is any unsatisfied judgment against him?	:	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		:	**Low See Ching** Non-Independent Non-Executive Director
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	:	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	:	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	:	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	:	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		:	**Low See Ching** Non-Independent Non-Executive Director
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	:	No
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	:	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	:	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	:	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	:	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	:	No
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of an listed issuer listed on the Exchange? If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)		:	Not Applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Ms Cheah Yee Leng, who is seeking re-election as Director at the forthcoming Annual General Meeting.

Name	:	**Cheah Yee Leng** Non-Independent Non-Executive Director
Date Of first Appointment	:	6 March 2015
Age	:	53
Country of Principal Residence	:	Malaysia
Date of last re-appointment	:	24 April 2019
The Board's comments on this appointment (including rationale, election criteria, section criteria, board diversity considerations, and the search and nomination process)	:	The Board has considered the Nomination Committee's recommendation and assessments of Ms Cheah Yee Leng's qualifications and experiences and is satisfied that she will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	:	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Non-Independent Non-Executive Director
Professional qualifications	:	• Bachelor of Economics Degree, Monash University in Australia. • Bachelor of Laws Degree, Monash University in Australia
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	No
Conflict of interest (including any competing business)	:	No
Working experience and occupation(s) during the past 10 years	:	Listed Companies: • Paos Holdings Berhad (Non-Independent Non-Executive Director) Date of Appointment: 14 June 2012 • Hap Seng Consolidated Berhad (Executive Director) Date of Appointment: 1 June 2014 • Hap Seng Plantations Holdings Berhad (Executive Director) Date of Appointment: 1 March 2016

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Cheah Yee Leng** Non-Independent Non-Executive Director
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1) has been submitted to Hafary	:	Yes
Shareholding interest in the listed issuer and its subsidiaries	:	No
Shareholding Details	:	–
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	:	Non-listed companies: • Hap Seng Logistics Sdn Bhd • Hap Seng Commercial Vehicle Sdn Bhd • HSC Melbourne Pty Ltd • Sino Ceramics Sdn Bhd • Blue Star Property Sdn Bhd • LSH Credit (Sydney) Pty Ltd • LSH Credit (Melbourne) Pty Ltd • MML Ceramic (Thailand) Co., Ltd • HSC Manchester Holding Limited • Hap Seng Land Development (JTR) Sdn Bhd • Hap Seng Land Development (Bangsar) Sdn Bhd • PT MML Ceramic Indonesia

Present	:	Listed companies:
		• Hap Seng Consolidated Berhad (Executive Director) Including its subsidiaries, namely
		  • Caliber Suncity Sdn Bhd
		  • Desa Alam Mewah Sdn Bhd
		  • Euro-Asia Brand Holding Company Sdn Bhd
		  • Future Golden Development Sdn Bhd
		  • GLM Emerald (Sepang) Sdn Bhd
		  • Hap Seng Auto Sdn Bhd
		  • Hap Seng Automotive Acceptance Sdn Bhd
		  • Hap Seng Body & Paint Sdn Bhd
		  • Hap Seng Building Materials Holdings Sdn Bhd
		  • Hap Seng Building Materials Marketing Pte Ltd
		  • Hap Seng Building Materials Sdn Bhd
		  • Hap Seng CarFleet Sdn Bhd
		  • Hap Seng Chemicals Sdn Bhd
		  • Hap Seng Clay Products Sdn Bhd
		  • Hap Seng Commercial Development Sdn Bhd
		  • Hap Seng Construction Sdn Bhd
		  • Hap Seng Equity Sdn Bhd
		  • Hap Seng Fertilizers Sdn Bhd
		  • Hap Seng Investment Holdings Pte Ltd
		  • Hap Seng Land Sdn Bhd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Cheah Yee Leng** Non-Independent Non-Executive Director

Including its subsidiaries, namely (Continued)
- Hap Seng Land Development (Balakong) Sdn Bhd
- Hap Seng Land Development (Kluang) Sdn Bhd
- Hap Seng Land Development (Puchong) Sdn Bhd
- Hap Seng Land Development (JTR2) Sdn Bhd
- Hap Seng Land Development (Jesselton Hill) Sdn Bhd
- Hap Seng Land Development (PJ) Sdn Bhd
- Hap Seng Land Development Sdn Bhd
- Hap Seng Land Development And JCA Sdn Bhd
- Hap Seng Land Services Sdn Bhd
- Hap Seng Leisure Sdn Bhd
- Hap Seng Management Sdn Bhd
- Hap Seng Management Services Sdn Bhd
- Hap Seng (Oil & Transport) Sdn Bhd
- Hap Seng Property Investment Sdn Bhd
- Hap Seng Properties Services (Sabah) Sdn Bhd
- Hap Seng Realty Sdn Bhd
- Hap Seng Realty (Auto) Sdn Bhd
- Hap Seng Realty (Autohaus) Sdn Bhd
- Hap Seng Realty (KK I) Sdn Bhd
- Hap Seng Realty (KL City) Sdn Bhd
- Hap Seng Seri Alam Sdn Bhd
- Hap Seng Star Sdn Bhd
- Hap Seng Trading Holdings Sdn Bhd
- Hap Seng Trading (BM) Sdn Bhd
- Hap Seng Trucks Distribution Sdn Bhd
- Hap Seng Trucks Sdn Bhd
- HSC Birmingham Holding Limited
- HSC Brisbane Holding Pte Ltd
- HSC Bristol Holding Pte Ltd
- HS Credit (Birmingham) Ltd
- HS Credit (Brisbane) Pty Ltd
- HS Credit (Manchester) Ltd
- HS Credit (London) Ltd
- HS Credit (Leeds) Ltd
- HS Credit (Nottingham) Ltd
- HSC International Limited
- HSC Leeds Holding Pte Ltd
- HSC London Holding Pte Ltd
- HSC Nottingham Holding Pte Ltd
- HSC Manchester Holding Pte Ltd
- HSC Melbourne Holding Pte Ltd
- Inverfin Sdn Bhd
- KL Midtown Sdn Bhd
- Lakaran Warisan Sdn Bhd
- Macro Arch (M) Sdn Bhd
- Malaysian Mosaics Sdn Bhd
- Menara Hap Seng Sdn Bhd
- MML Marketing Pte Ltd
- MML (Shanghai) Trading Co. Ltd
- Palms Edge (M) Sdn Bhd

Name	: **Cheah Yee Leng** Non-Independent Non-Executive Director

Including its subsidiaries, namely (Continued)
- Pacific Emerald Properties Sdn Bhd
- Positive Harmony Sdn Bhd
- Positive Tropical Sdn Bhd
- Prosperity Projections Sdn Bhd
- Prosperity Sunland Sdn Bhd
- Richmore Development Sdn Bhd
- Sasco Company Ltd.
- Sasco (China) Co. Ltd
- Sierra Ventures Sdn Bhd
- SKI Segar Sdn Bhd
- Sunpoint Resources Sdn Bhd
- Sunrise Addition Sdn Bhd
- Sunrise Strategy Sdn Bhd
- Sunhill Ventures Sdn Bhd
- Suria Kapital Development Sdn Bhd
- Positive Sunland Sdn Bhd
- Sierra Positive Sdn Bhd
- Eden Sunrise Sdn Bhd
- Sunrise Gardencity Sdn Bhd
- My Universal Properties Sdn Bhd
- Trio Empireland Sdn Bhd
- Hap Seng Hospitality Sdn Bhd
- Sunrise Spring Sdn Bhd
- Trio Sunrise Sdn Bhd

- Hap Seng Plantations Holdings Berhad
  Including its subsidiaries, namely
  - Jeroco Plantations Sdn Bhd
  - Hap Seng Plantations (River Estates) Sdn Bhd
  - Hap Seng Plantations (Wecan) Sdn Bhd
  - Hap Seng Plantations (Tampilit) Sdn Bhd
  - Hap Seng Plantations (Ladang Kawa) Sdn Bhd
  - Hap Seng Plantations (Kota Marudu) Sdn Bhd
  - Hap Seng Edible Oils Sdn Bhd
  - Pelipikan Plantation Sdn Bhd

- Hafary Holdings Limited (Non-independent Non-Executive Director)
  - Hafary Pte Ltd
  - Hafary Balestier Showroom Pte. Ltd.
  - Hafary Building Materials Pte. Ltd.
  - Hafary Centre Pte. Ltd.
  - Hafary International Pte. Ltd.
  - Hafary Trademarks Pte. Ltd
  - Hafary Vietnam Pte. Ltd.
  - Hafary W+S Pte. Ltd.
  - Gres Universal Pte. Ltd
  - Marble Trends Pte. Ltd
  - Melmer Stoneworks Pte. Ltd.
  - Surface Project Pte. Ltd.
  - Surface Stone Pte. Ltd.
  - Wood Culture Pte. Ltd.
  - World Furnishing Hub Pte. Ltd.
  - Hafary Trading Sdn Bhd
  - Hafary Crescent Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		:	**Cheah Yee Leng** Non-Independent Non-Executive Director
			<u>Non-listed companies:</u> • LSHC Sydney Holdings Limited
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	:	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	:	No
(c)	Whether there is any unsatisfied judgment against him?	:	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	:	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		:	**Cheah Yee Leng** Non-Independent Non-Executive Director
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	:	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	:	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	:	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	:	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	:	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	:	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Cheah Yee Leng** Non-Independent Non-Executive Director
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	:	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	:	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an listed issuer listed on the Exchange? If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	:	Not Applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Terrance Tan Kong Hwa, who is seeking re-election as Director at the forthcoming Annual general Meeting.

Name	:	**Terrance Tan Kong Hwa** Independent Director
Date Of first Appointment	:	10 November 2009
Age	:	57
Country of Principal Residence	:	Singapore
Date of last re-appointment	:	24 April 2019
The Board's comments on this appointment (including rationale, election criteria, section criteria, board diversity considerations, and the search and nomination process)	:	The Board has considered the Nomination Committee's recommendation and assessments of Mr Tan's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	:	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Independent Director, Chairman of the Nominating Committee and member of Audit Committee and Remuneration Committee
Professional qualifications	:	• Degree in Bachelor of Science (Estate Management) (Honours), National University of Singapore
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	No
Conflict of interest (including any competing business)	:	No
Working experience and occupation(s) during the past 10 years	:	Mr Tan has been co-managing Providence Capital Management Pte Ltd ("PCM") and the various funds and investment vehicles managed by PCM over the past 14 years. He had also served on the boards of 3 other SGX-listed companies over the past 10 years. He has since stepped down from these boards.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1) has been submitted to Hafary	:	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Terrance Tan Kong Hwa** Independent Director
Shareholding interest in the listed issuer and its subsidiaries	:	No
Shareholding Details	:	–
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	:	<u>Non-listed companies:</u> • Glam Estates Pte Ltd • Providence Asset Management Pte. Ltd. • Providence SOGF2 Limited • CT Facilities Management Pte Ltd • Emerging Markets Affordable Housing Fund 2 Pte. Ltd.
Present	:	<u>Listed company:</u> Hafary Holdings Limited (Non-Independent Non-Executive Director) <u>Non-listed companies:</u> • Achieve Glory Limited • Ayin Estates Pte. Ltd. • Bai Chay National Housing Organization Company • Emerging Markets Affordable Housing Fund Pte. Ltd. • Equinox Investment Group Limited • Healthcare Ventures II Pte. Ltd. • Hong Bang 2 National Housing Organization Joint Stock Company • JME Investment Pte. Ltd. • JME Vina Joint Stock Company • Kejora Solaris Sdn Bhd • National Housing Organization – Phu My2 Joint Stock Company • Providence Agriventures Limited • Providence Capital Management Pte. Ltd. • Providence Capital Partners Limited • Providence Estates (Pandan Loop) Pte. Ltd. • Providence Eventures Pte. Ltd. • Providence SOGF Limited • Providence HGF3 Limited • PGP1 Limited • Thuan An 2 National Housing Organization Joint Stock Company • Vineland Ventures Limited • Seafood Alliance Limited

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		:	**Terrance Tan Kong Hwa** Independent Director
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	:	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	:	No
(c)	Whether there is any unsatisfied judgment against him?	:	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	:	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	:	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		:	**Terrance Tan Kong Hwa** Independent Director
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	:	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	:	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	:	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	:	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	:	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	:	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	:	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	:	**Terrance Tan Kong Hwa** Independent Director
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	:	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an listed issuer listed on the Exchange? If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	:	Not Applicable

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hafary Holdings Limited (the "**Company**") will be held by way of electronic means on Thursday, 7 April 2022 at 10.00 a.m. (of which there will be a live webcast) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt one-tier dividend of 0.75 Singapore cent per ordinary share for the financial year ended 31 December 2021 (FY2020: 0.75 Singapore cent). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 104 of the Constitution of the Company and/or Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

   Mr Low See Ching **(Resolution 3)**
   Mr Terrance Tan Kong Hwa **(Resolution 4)**
   Ms Cheah Yee Leng **(Resolution 5)**

   Mr Low See Ching will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered as non-independent.

   Mr Terrance Tan Kong Hwa will, upon re-election as Director of the Company, remain as Independent Non-Executive Director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee and will be considered as independent.

   Ms Cheah Yee Leng will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered as non-independent.

4. To approve the payment of Directors' Fees of S$231,000 for the financial year ended 31 December 2021. (FY2020: S$229,468) **(Resolution 6)**

5. To re-appoint Messrs RSM Chio Lim LLP as Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act 1967, the Constitution of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be and are hereby authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution that may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments and made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST); and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 8)**

8. **Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan**

That pursuant to Section 161 of the Companies Act 1967, the Directors of the Company be and are hereby authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Hafary Performance Share Plan (the "**Plan**") and to allot and issue and/or deliver such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of shares to be delivered pursuant to the Plan, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 9)**

9. **Renewal of General Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be and is hereby given for the renewal of the general mandate permitting the Company, its subsidiaries and associated companies to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting (the "**Appendix**") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms which are not prejudicial to the interests of the Company and its minority Shareholders (as defined in the Appendix) and are in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "**IPT General Mandate**");

(b) the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT General Mandate as they may think fit.

[See Explanatory Note (iii)] **(Resolution 10)**

By Order of the Board

Tay Eng Kiat Jackson
Company Secretary
Singapore, 23 March 2022

Explanatory Notes:

(i) Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is earlier, to offer and grant awards under the Plan in accordance with the provision of the Plan and to deliver from time to time such number of new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan up to a number not exceeding in aggregate (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(iii) Ordinary Resolution 10 proposed in item 9 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

1. The Annual General Meeting (the "Meeting" or "AGM") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of Meeting will not be sent to members of the Company, instead, this Notice of Meeting will be sent to the members of the Company by way of electronic means via publication on the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

2. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via "live" webcast and "live" audio feed), submission of questions in advance of the Meeting, addressing of substantial and relevant questions in advance of and/or at the Meeting via publication on the SGXNet and the Company's website at the URL https://www.hafary.com.sg. and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled "Instructions to Shareholders for Annual General Meeting 2022".

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. The instrument appointing a proxy accompanying the Notice of the Meeting may be accessed at the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, **i.e. by 5.00 p.m. on 28 March 2022.**

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. Duly completed and signed instrument appointing the Chairman of the Meeting as proxy must either be submitted to the Company in the following manner:

   (a) if submitted by post, to be deposited at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or

   (b) if submitted electronically, to be submitted via email to enquiry@hafary.com.sg

   in either case, by 10.00 a.m. on 5 April 2022 (being not less than forty-eight (48) hours before the time appointed for the Meeting.

   A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email to enquiry@hafary.com.sg

6. Please note that shareholders will not be able to ask questions during the live webcast and the live audio feed. Shareholders and Investors may submit questions related to resolution to be tabled at the AGM at least seven (7) calendar days after publication of the Notice of AGM, **i.e. by 5.00 p.m. on 31 March 2022**:

   (a) by post to the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or

   (b) by email to enquiry@hafary.com.sg; or

   (c) via the AGM registration website at the URL https://live.motionmediaworks.com/hafary_reg_form

   The Board of Directors of the Company will endeavour to address all substantial and relevant questions received from shareholders prior to the Meeting by publishing the responses to those questions on SGXNet and the Company's website at the URL https://www.hafary.com.sg, at least forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms, **i.e. by 3 April 2022**. Where substantial relevant questions submitted by shareholders could not be addressed prior to the Meeting, the Company will address them during the Meeting through the live webcast and live audio feed.

   The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the Meeting via SGXNet on SGX website and the Company's website within one (1) month from the date of the Meeting.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared for the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

Important Notice from the Company pertaining to the COVID-19 situation:

The Company wishes to remind shareholders that, with the constantly evolving COVID-19 situation, the Company may be required to change its Meeting arrangements at short notice. Shareholders are advised to check SGXNet and the Company's website regularly for updates on the Meeting.

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HAFARY HOLDINGS LIMITED
合發利控股有限公司
Incorporated in the Republic of Singapore
Company Registration No. 200918637C

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. The Annual General Meeting ("AGM" or the "Meeting") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" webcast and "live" audio feed), submission of questions in advance of the Meeting, addressing of substantial and relevant questions in advance of and/or at the Meeting via publication on the SGXNet and the Company's website at the URL https://www.hafary.com.sg. and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled "Instructions to Shareholders for Annual General Meeting 2022".
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM i.e. by **5.00 p.m. on 28 March 2022**.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 23 March 2022.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We*, ____

of ____

being a member/members of HAFARY HOLDINGS LIMITED (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held by way of electronic means on Thursday, 7 April 2022 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against or abstain from voting the Resolutions to be tabled at the Meeting as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.**

No.	Resolutions relating to:	Number of Votes For[(1)]	Number of Votes Against[(1)]	Number of Votes Abstain[(1)]
Ordinary Business:				
1	Statement by Directors and Audited Financial Statements for the financial year ended 31 December 2021			
2	Declaration of final tax-exempt one-tier dividend of 0.75 Singapore cent per ordinary share			
3	Re-election of Mr Low See Ching as Director			
4	Re-election of Mr Terrance Tan Kong Hwa as Director			
5	Re-election of Ms Cheah Yee Leng as Director			
6	Approval of Directors' Fees amounting to S$231,000 for the financial year ended 31 December 2021			
7	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditor			
Special Business:				
8	Authority to issue shares			
9	Authority to offer and grant awards and to allot and issue shares under the Hafary Performance Share Plan			
10	Renewal of General Mandate for Interested Person Transactions			

[(1)] *If you wish to appoint the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark "Abstain", you are directing your proxy not to vote.*

Dated this ______________ day of ____________________ 2022

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.** The instrument of appointing a proxy may be accessed at the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, i.e. by 5.00 p.m. on 28 March 2022.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or

   (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg

   in either case, by 10.00 a.m. on 5 April 2022 (being not less than forty-eight (48) hours before the time appointed for the Meeting.

5. A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the SGXNet and the Company's website at the URL https://www.hafary.com.sg.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

PERSONAL DATA PRIVACY:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 23 March 2022.

GENERAL:
The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OUR SHOWROOMS

Hafary Gallery

105 Eunos Avenue 3 Hafary Centre
Singapore 409836
Tel: 6250 1368 Fax: 6383 1536
Email: eunosshowroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am – 7.30pm
Sun and PH: 9.00am – 7.00pm

Hafary Balestier

560 Balestier Road Singapore 329876
Tel: 6250 1369 Fax: 6255 4450
Email: balestiershowroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am – 8.00pm
Sun and PH: 9.00am – 7.00pm

Hafary Tradehub 21

18 Boon Lay Way #01-132 Tradehub 21
Singapore 609966
Tel: 6570 6265 Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg

Operating hours:
Mon to Sat: 9.00am – 7.30pm
Sun and PH: 9.00am – 7.00pm

The Stone Gallery By Hafary

18 Sungei Kadut Street 2
World Furnishing Hub, Level 7
Singapore 729236
Tel: 6219 3323 Fax: 6219 3313
Email: thestonegallery@hafary.com.sg

Operating hours (By Appointment only):
Mon to Sat: 9.00am – 6.00pm

合發利控股有限公司
HAFARY HOLDINGS LIMITED
(Company Registration No. 200918637C)
105 Eunos Avenue 3 Hafary Centre
Singapore 409836