Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Six Months Ended 30 June 2021

	Notes	2021 $'000	2020 $'000	Change %
Revenue	2	60,349	30,072	100.7
Interest income		62	43	44.2
Other income and gains		1,051	1,720	(38.9)
Changes in inventories of goods held for resale		2,207	3,274	(32.6)
Purchases and related costs		(33,909)	(19,609)	72.9
Employee benefits expense		(10,368)	(7,930)	30.7
Depreciation expense		(2,434)	(2,396)	1.6
Depreciation of right-of-use assets		(1,126)	(1,437)	(21.6)
Impairment losses		(3,332)	(947)	251.8
Other losses		(74)	(36)	105.6
Finance costs		(1,500)	(1,821)	(17.6)
Other expenses		(4,799)	(3,041)	57.8
Share of (loss) profit from an equity-accounted associate		(47)	551	(108.5)
Share of profit (loss) from equity-accounted joint ventures		383	(382)	(200.3)
Profit (loss) before income tax		6,463	(1,939)	(433.3)
Income tax (expense) income	4	(1,055)	277	(480.9)
Profit (loss), net of tax		5,408	(1,662)	(425.4)
<u>Other comprehensive income (loss)</u>				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations, net of tax		591	681	(13.2)
Total comprehensive income (loss) for the year, net of tax		5,999	(981)	(711.5)
Profit (loss) attributable to:				
- Owners of the parent, net of tax		5,090	(1,690)	(401.2)
- Non-controlling interests, net of tax		318	28	1,035.7
		5,408	(1,662)	(425.4)
Total comprehensive income (loss) attributable to:				
- Owners of the parent		5,681	(1,009)	(663.0)
- Non-controlling interests		318	28	1,035.7
		5,999	(981)	(711.5)
		Cents	Cents	
Earnings per share				
Basic and diluted		1.18	(0.39)	

N.M.: Not meaningful.

Additional Information on the Interim Consolidated Statement of Profit or Loss
For The Six Months Ended 30 June 2021

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

	2021 $'000	2020 $'000	Change %
Interest expense on borrowings	(1,319)	(1,653)	(20.2)
Interest expense on lease liabilities	(181)	(168)	7.7
Interest income	62	43	44.2
Depreciation of investment property	(9)	(9)	–
Depreciation of property, plant and equipment	(2,425)	(2,387)	1.6
Depreciation of right-of-use assets	(1,126)	(1,437)	(21.6)
Reversal (additions) – individually impaired	4	(139)	(102.9)
Reversal – collectively impaired	62	65	(4.6)
Bad debts recovered – trade receivables	10	16	(37.5)
Bad debts written-off – trade receivables	(27)	–	N.M.
Net allowance for impairment of Inventories	(3,381)	(889)	280.3
Foreign exchange adjustment loss	(6)	(36)	(83.3)
Fair value gain on derivative financial instruments, net	(34)	34	N.M.
Gain on disposal of plant and equipment	–	1	N.M.
Government grants	955	1,685	(43.3)
Adjustment for under provision of current tax in respect of prior years	–	(2)	N.M.
Adjustment for (under) over provision of deferred tax in respect of prior years	(55)	22	(350.0)

N.M.: Not meaningful.

Condensed Interim Statements of Financial Position

		Group		Company	
	Notes	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	6	89,469	72,501	220	268
Right-of-use assets	7	41,049	37,863	–	–
Investment property		4,182	4,191	–	–
Investments in subsidiaries		–	–	9,239	9,239
Investment in an associate	8	15,999	15,753	–	–
Investments in joint ventures	9	2,770	2,655	–	–
Other financial assets		412	412	412	412
Total non-current assets		153,881	133,375	9,871	9,919
Current assets					
Inventories	10	50,226	50,938	–	–
Trade and other receivables	11	35,365	29,960	30,543	30,529
Derivative financial assets		–	9	–	–
Other non-financial assets		6,934	5,372	15	9
Cash and cash equivalents		4,234	5,211	20	22
Total current assets		96,759	91,490	30,578	30,560
Total assets		250,640	224,865	40,449	40,479
EQUITY AND LIABILITIES					
Equity					
Share capital	12	26,930	26,930	26,930	26,930
Retained earnings		47,441	45,580	3,484	3,450
Foreign currency translation reserve	13	(610)	(1,201)	–	–
Equity, attributable to owners of the parent		73,761	71,309	30,414	30,380
Non-controlling interests		1,277	2,159	–	–
Total equity		75,038	73,468	30,414	30,380
Non-current liabilities					
Deferred tax liabilities		605	664	–	–
Other financial liabilities, non-current	15, 16	90,950	82,256	–	–
Lease liabilities, non-current	15, 17	12,929	9,355	76	101
Total non-current liabilities		104,484	92,275	76	101
Current liabilities					
Income tax payable		1,617	1,285	1	5
Provision	18	874	725	–	–
Trade and other payables		17,062	16,275	9,909	9,943
Derivative financial liabilities		25	–	–	–
Other financial liabilities, current	15, 16	45,742	34,597	–	–
Lease liabilities, current	15, 17	995	881	48	47
Other non-financial liabilities		4,803	5,359	1	3
Total current liabilities		71,118	59,122	9,959	9,998
Total liabilities		175,602	151,397	10,035	10,099
Total equity and liabilities		250,640	224,865	40,449	40,479

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

Condensed Interim Statements of Changes in Equity
For The Six Months Ended 30 June 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 period:						
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	5,999	5,681	–	5,090	591	318
Dividends paid (Note 5)	(3,229)	(3,229)	–	(3,229)	–	–
Dividends paid to non-controlling interests in subsidiaries	(1,200)	–	–	–	–	(1,200)
Closing balance at 30 June 2021	75,038	73,761	26,930	47,441	(610)	1,277
Previous period:						
Opening balance at 1 January 2020	70,987	68,963	26,930	43,549	(1,516)	2,024
Changes in equity:						
Total comprehensive (loss) income for the year	(981)	(1,009)	–	(1,690)	681	28
Dividends paid (Note 5)	(2,153)	(2,153)	–	(2,153)	–	–
Dividends paid to non-controlling interests in subsidiaries	(140)	–	–	–	–	(140)
Closing balance at 30 June 2020	67,713	65,801	26,930	39,706	(835)	1,912

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

Condensed Interim Statements of Changes in Equity (cont'd)
For The Six Months Ended 30 June 2021

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current period:			
Opening balance at 1 January 2021	30,380	26,930	3,450
Changes in equity:			
Total comprehensive income for the year	3,263	–	3,263
Dividends paid (Note 5)	(3,229)	–	(3,229)
Closing balance at 30 June 2021	30,414	26,930	3,484
Previous period:			
Opening balance at 1 January 2020	29,343	26,930	2,413
Changes in equity:			
Total comprehensive income for the year	1,107	–	1,107
Dividends paid (Note 5)	(2,153)	–	(2,153)
Closing balance at 30 June 2020	28,297	26,930	1,367

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

Condensed Interim Consolidated Statement of Cash Flows
For The Six Months Ended 30 June 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Profit (loss) before income tax	6,463	(1,939)
Adjustments for:		
Interest expense on borrowings	1,319	1,653
Interest expense on lease liabilities	181	168
Interest income	(62)	(43)
COVID-19 related rent concessions from lessors	(14)	(37)
Depreciation of property, plant and equipment	2,425	2,387
Depreciation of right-of-use assets	1,126	1,437
Depreciation of investment property	9	9
Gain on disposal of plant and equipment	–	(1)
Share of loss (profit) from an equity-accounted associate	47	(551)
Share of (profit) loss from equity-accounted joint ventures	(383)	382
Net effect of exchange rate changes in consolidating subsidiaries	(48)	(46)
Operating cash flows before changes in working capital	11,063	3,419
Inventories	712	(3,338)
Trade and other receivables	(2,523)	6,154
Other non-financial assets	(1,562)	(37)
Provision	149	(457)
Trade and other payables	1,603	(4,676)
Derivative financial assets / liabilities	34	(34)
Other non-financial liabilities	(556)	1,625
Net cash flows from operations	8,920	2,656
Income taxes paid	(782)	(2)
Net cash flows from operating activities	8,138	2,654
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(19,065)	(329)
Proceeds from disposal of plant and equipment	11	25
Refund of land premium	–	1,846
Net movements in amount due from an associate	(2,705)	–
Net movements in amount due from joint ventures	(232)	–
Dividend income from joint ventures	350	–
Interest income received	22	1
Net cash flows (used in) from investing activities	(21,619)	1,543

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For The Six Months Ended 30 June 2021

	2021 $'000	2020 $'000
Cash flows from financing activities		
Dividends paid to equity owners	(3,229)	–
Dividends paid to non-controlling interests	(1,200)	(140)
Net movements in amounts due to a director cum a shareholder	(421)	(331)
Net movements in amounts due to a shareholder	(555)	(499)
Lease liabilities – principal portion paid	(674)	(991)
Increase (decrease) in trust receipts and bills payable	11,465	(2,133)
Increase from new borrowings	14,800	5,000
Decrease in other financial liabilities	(6,426)	(4,669)
Interest expense paid	(1,275)	(1,681)
Net cash flows from (used in) financing activities	12,485	(5,444)
Net decrease in cash and cash equivalents	(996)	(1,247)
Net effect of exchange rate changes on cash and cash equivalents	19	14
Cash and cash equivalents, beginning balance	5,211	7,559
Cash and cash equivalents, ending balance	4,234	6,326

Note A: Purchase of property, plant and equipment

During the reporting period, the group acquired property, plant and equipment with an aggregate cost of $19,273,000 (30 June 2020: $329,000). The additions were by way as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	6,265	329
Bank loan	12,800	–
Other payables	208	–
Total (Note 6)	19,273	329

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

Notes to the Financial Statements
30 June 2021

1. General

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

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

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

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

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

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

COVID-19 related disclosures

Uncertainties relating to the COVID-19 pandemic:

The COVID-19 pandemic and the aftermath of the pandemic has caused and continues to cause disruptions resulting in uncertainties surrounding the group's business, including affecting its relationships with its existing and future customers, suppliers and employees, and which had and will continue to have an adverse effect on its financial position, financial performance of operations, cash flows and prospects for the foreseeable future. There is significant uncertainty around the medium to long term impact of the COVID-19 pandemic. Other entities are also evolving and assets held by them may have material uncertainties and / or disclaimers regarding the impact of COVID-19. These uncertainties gave rise to difficulties in making an accurate assessment by management of the future financial impacts on the group. Management will continue to closely monitor the further economic development and its impact. It is however reasonably probable that the COVID-19 pandemic will have an adverse impact on the group's revenues and results for the next reporting year, the extent of which will depend on how long the aftermath of the pandemic lasts.

Basis of presentation

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

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

1. General (cont'd)

Critical judgements, assumptions and estimation uncertainties

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

Assessment of expected credit loss allowance on trade receivables:
The allowance for expected credit losses ("ECL") assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. 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 impairment allowance on inventories:
The allowance for impairment of inventories assessment 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.

2. Financial information by operating segments

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

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

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

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

For management purposes, the reporting entity is organised into 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").

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

2B. Profit or loss from continuing operations and reconciliations

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

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 6 months ended 30 June 2021:					
Total revenue by segment	51,187	32,965	5,160	15	89,327
Inter-segment sales	(13,102)	(12,575)	(3,301)	–	(28,978)
Total revenue	38,085	20,390	1,859	15	60,349
Recurring EBITDA	8,708	823	1,641	15	11,187
Amortisation and depreciation expense	(2,623)	(531)	(406)	–	(3,560)
Finance costs	(1,093)	(148)	(259)	–	(1,500)
Share of loss from an equity-accounted associate	–	–	(47)	–	(47)
Share of profit from equity-accounted joint ventures	–	–	383	–	383
ORBIT	4,992	144	1,312	15	6,463
Income tax expense					(1,055)
Profit, net of tax					5,408

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Continuing operations – 6 months ended 30 June 2020:					
Total revenue by segment	24,059	15,223	4,776	28	44,086
Inter-segment sales	(6,300)	(4,565)	(3,149)	–	(14,014)
Total revenue	17,759	10,658	1,627	28	30,072
Recurring EBITDA	3,647	(1,541)	1,412	28	3,546
Amortisation and depreciation expense	(2,997)	(472)	(364)	–	(3,833)
Finance costs	(1,469)	(70)	(282)	–	(1,821)
Share of profit from an equity-accounted associate	–	–	551	–	551
Share of loss from equity-accounted joint ventures	–	–	(382)	–	(382)
ORBIT	(819)	(2,083)	935	28	(1,939)
Income tax expense					277
Loss, net of tax					(1,662)

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

2C. Assets, liabilities and reconciliations

	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
As at 30 June 2021:					
Segment assets	161,248	66,441	22,951	–	250,640
Segment liabilities	127,122	43,207	3,051	–	173,380
Deferred tax liabilities					605
Income tax payable					1,617
Total liabilities					175,602
As at 31 December 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

2D. Other material items and reconciliations

For 6 months ended 30 June:	General $'000	Project $'000	Others $'000	Unallocated $'000	Group $'000
Impairment of assets:					
2021	2,386	946	–	–	3,332
2020	940	7	–	–	947
Expenditure for non-current assets:					
2021	19,137	136	–	–	19,273
2020	255	74	–	–	329

2E. Geographical information

	Revenue 6 months ended 30 June		Non-current assets	
	2021 $'000	2020 $'000	30 Jun 2021 $'000	31 Dec 2020 $'000
Singapore	58,315	26,600	114,302	106,429
People's Republic of China	431	297	23,168	10,781
Socialist Republic of Vietnam	–	–	15,999	15,753
Republic of the Union of Myanmar	266	807	–	–
Republic of Indonesia	212	27	–	–
Cambodia	661	1,609	–	–
Malaysia	355	71	–	–
Maldives	8	461	–	–
Others	101	200	–	–
	60,349	30,072	153,469	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.

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

2F. Disaggregation of revenue from contracts with customers

	Revenue	
	6 months ended 30 June	
	2021	2020
	$'000	$'000
Goods recognised at point in time	55,279	27,552
Services recognised over time	3,195	865
Rental income recognised at point in time	1,852	1,618
Other income recognised at point in time	23	37
Total continuing operations	60,349	30,072

3. Related party transactions - Group

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

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

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

	6 months ended 30 June	
	2021	2020
	$'000	$'000
Associate:		
Interest income	(17)	–
Joint ventures:		
Sale of goods	(75)	(541)
Rental income	(209)	(194)
Interest income	(40)	(42)
Purchases of goods	3,747	1,568
Receiving of services	537	334
Directors:		
Sale of goods	(5)	(151)
Other related parties:		
Sale of goods	(453)	(35)
Rental income	(79)	(98)
Miscellaneous income	(58)	(50)
Purchases of goods	3,184	1,388
Rental expenses	5	4

4. Income tax - Group

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

	6 months ended 30 June	
	2021	2020
	$'000	$'000
Current tax expense:		
Current tax expense	1,114	252
Under adjustments in respect of prior years	–	2
Subtotal	1,114	254
Deferred tax income:		
Deferred tax income	(114)	(509)
Under (over) adjustments in respect of prior years	55	(22)
Subtotal	(59)	(531)
Total income tax expense (income)	1,055	(277)

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

	6 months ended 30 June	
	2021	2020
	$'000	$'000
Profit (loss) before income tax	6,463	(1,939)
Less:		
- Share of loss (profit) from an equity-accounted associate	47	(551)
- Share of (profit) loss from equity-accounted joint ventures	(383)	382
	6,127	(2,108)
Income tax expense (benefit) at the above rate	1,042	(358)
Effect of different tax rates in different countries	32	3
Expenses not deductible for tax purposes	48	154
Tax exemption and rebates	(122)	(56)
Under (over) adjustments in respect of prior years	55	(20)
Total income tax expense (income)	1,055	(277)
Effective income tax rate for the period	17%	13%

5. Dividends on equity shares

	6 months ended 30 June 2021 $'000	6 months ended 30 June 2020 $'000
Final tax exempt (1-tier) dividends paid of 0.75 cent per share	3,229	–
Final tax exempt (1-tier) dividends paid of 0.50 cent per share	–	2,153
Total dividends paid during the period	3,229	2,153

6. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
As at 31 December 2020	84,424	14,079	4,044	102,547
Accumulated depreciation	(18,441)	(8,465)	(3,140)	(30,046)
Carrying amount at 31 December 2020	65,983	5,614	904	72,501
Cost:				
At 1 January 2021	84,424	14,079	4,044	102,547
Additions	16,475	2,769	29	19,273
Disposals	–	(80)	(99)	(179)
Foreign exchange adjustments	153	29	(1)	181
At 30 June 2021	101,052	16,797	3,973	121,822
Accumulated depreciation:				
At 1 January 2021	18,441	8,465	3,140	30,046
Depreciation for the period	1,677	540	208	2,425
Disposals	–	(74)	(94)	(168)
Foreign exchange adjustments	40	9	1	50
At 30 June 2021	20,158	8,940	3,255	32,353
Carrying amount:				
At 30 June 2021	80,894	7,857	718	89,469

As at the reporting period ended 30 June 2021, the group's leasehold properties with carrying amount of $76,913,000 (31 December 2020: $62,008,000) are mortgaged for bank facilities (Note 16).

Certain motor vehicles are under lease liabilities (Note 17).

7. Right-of-use assets

Group	Leasehold land $'000	Premises $'000	Total $'000
Cost:			
As at 31 December 2020	49,321	4,421	53,742
Accumulated depreciation	(12,086)	(3,793)	(15,879)
Carrying amount at 31 December 2020	37,235	628	37,863
Cost:			
At 1 January 2021	49,321	4,421	53,742
Additions	4,199	–	4,199
Remeasurement	(303)	–	(303)
Foreign exchange adjustments	139	–	139
At 30 June 2021	53,356	4,421	57,777
Accumulated depreciation:			
At 1 January 2021	12,086	3,793	15,879
Depreciation for the period	866	260	1,126
Remeasurement	(303)	–	(303)
Foreign exchange adjustments	26	–	26
At 30 June 2021	12,675	4,053	16,728
Carrying amount:			
At 30 June 2021	40,681	368	41,049

As at the reporting period ended 30 June 2021, the group's land use rights with carrying amount of $23,750,000 (31 December 2020: $24,285,000) are mortgaged for bank facilities (Note 16). The land use rights relate to parcels of lands in Singapore and People's Republic of China.

Leasehold land
The group has made upfront payments for five 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.

8. Investment in an associate

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Unquoted equity shares at cost	2,061	2,061
Goodwill at cost	758	758
Share of post-acquisition profit, net of dividends received	13,180	12,934
Carrying amount	15,999	15,753
Movements in carrying amount:		
At beginning of the reporting period / year	15,753	15,620
Share of (loss) profit for the reporting period / year	(47)	1,775
Dividends	–	(1,410)
Foreign exchange adjustments	293	(232)
At end of the reporting period / year	15,999	15,753

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

The details of the associate are given as below:

Name of associate, country of incorporation, place of operations and principal activities	Equity held by the Group	
	30 Jun 2021 %	31 Dec 2020 %
Viet Ceramics International Joint Stock Company ("VCI") Socialist Republic of Vietnam Importer and dealer of building materials	49	49

9. Investments in joint ventures

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Unquoted equity shares at cost	3,195	3,195
Share of post-acquisition losses, net of dividends	(425)	(540)
Carrying amount	2,770	2,655
Movements in carrying amount:		
At beginning of the period / year	2,655	2,503
Share of profits for the period / year	383	68
Dividends	(350)	(28)
Foreign exchange adjustments	82	112
At end of the period / year	2,770	2,655
Analysis of amounts denominated in non-functional currency:		
Chinese Renminbi	2,286	2,437

9. Investments in joint ventures (cont'd)

The details of the joint ventures are given as below:

Name of joint ventures, country of incorporation, place of operation and principal activities	Equity held by the Group 30 Jun 2021 %	Equity held by the Group 31 Dec 2020 %
Melmer Stoneworks Pte. Ltd. Singapore Cutting, shaping and finishing of stone	50	50
Guangdong ITA Element Building Materials Co., Limited People's Republic of China Production and distribution of tiles	50	50
Hafary Myanmar Investment Pte. Ltd. Singapore Investment holding	33	33

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.

10. Inventories

	Group 30 Jun 2021 $'000	Group 31 Dec 2020 $'000
Goods held for resale	50,226	50,938
Inventories are stated after allowance. Movements in allowance:		
At beginning of the period / year	10,784	6,716
Charged to profit or loss included in impairment losses	3,381	4,068
At end of the period / year	14,165	10,784

There are no inventories pledged as security for liabilities.

11. Trade and other receivables

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Trade receivables:		
Outside parties	27,570	23,894
Less: Allowance for impairment	(1,682)	(1,807)
Joint venture	346	261
Other related parties	41	26
Director	16	404
Retention receivables on contracts	1,669	1,452
Subtotal	27,960	24,230
Other receivables:		
Outside parties	120	742
Job Support Scheme grant receivables	513	634
Joint ventures [#a]	3,747	3,610
Associate [#b]	2,705	–
Other related parties	21	15
Refundable deposits	299	729
Subtotal	7,405	5,730
Total trade and other receivables	35,365	29,960
Movements in above allowance on trade receivables:		
At beginning of the period / year	1,807	1,595
(Reversal) additions – individually impaired	(4)	317
(Reversal) additions – collectively impaired	(62)	28
Bad debts written-off	(59)	(133)
At end of the period / year	1,682	1,807

[#a] Included in other receivables is a loan to a joint venture amounting to $2,092,000 (31 December 2020: $2,092,000) which is unsecured, bears interest at 4.0% (31 December 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 30 June 2021, included in other receivables is a loan to an associate amounting to $2,705,000 which is unsecured, bears interest at 3.5% per annum and repayable on demand.

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

(i) Concentration of credit risk

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

11. Trade and other receivables (cont'd)

(ii) Credit risk exposure

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

- 93% (31 December 2020: 93%) of the group's trade receivables from Singapore.
- 7% (31 December 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 (31 December 2020: 60 days). But some customers take a longer period to settle the amounts.

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

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Trade receivables:		
1 to 30 days	3,489	3,146
31 to 60 days	1,376	738
61 to 90 days	833	688
Over 90 days	6,394	5,187
Total	12,092	9,759

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

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Trade receivables:		
Over 90 days	1,525	1,588

The allowance which is disclosed in the Note on trade receivables is based on individual accounts totalling $1,525,000 (31 December 2020: $1,588,000) of the group that are determined to be impaired at the end of the reporting period / year. These are not secured.

11. Trade and other receivables (cont'd)

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. The allowance matrix is based on the historical observed default rates (over a period of 12 months to 18 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of COVID-19 pandemic. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The loss allowance of $157,000 (31 December 2020: $219,000) for the group is included in the allowance for impairment of receivables amounting to $1,682,000 as at 30 June 2021 (31 December 2020: $1,807,000). There are no collateral held as security and other credit enhancements for the trade receivables held by the group.

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

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

12. Share capital

	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 31 December 2020 and 30 June 2021	430,550	26,930

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

There was no movement in the issued and paid-up capital of the company since 31 December 2020.

There were no outstanding convertibles as at 30 June 2021 (30 June 2020: Nil).

The company did not hold any treasury shares as at 30 June 2021 (30 June 2020: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 2021.

13. 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.

14. Net asset value per share

	Group		Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Net asset value per share based on existing issued share capital as at the respective dates (cents)	17.1	16.6	7.1	7.1

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

	Secured		Unsecured	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	$'000	$'000	$'000	$'000
Repayable in one year or less, or on demand:				
Bank borrowings (Note 16)	23,946	24,266	–	–
Trust receipts and bills payable (Note 16)	21,796	10,331	–	–
Lease liabilities (Note 17)	48	47	947	834
Subtotal	45,790	34,644	947	834
Repayable after one year:				
Bank borrowings (Note 16)	90,950	82,256	–	–
Lease liabilities (Note 17)	76	101	12,853	9,254
Subtotal	91,026	82,357	12,853	9,254
Total	136,816	117,001	13,800	10,088

16. Other financial liabilities

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Non-current:		
With floating interest rates:		
Bank loan F (secured) (Note 16C)	10,192	10,948
Bank loan H (secured) (Note 16E)	44,119	44,869
Bank loan I (secured) (Note 16F)	9,121	9,934
Bank loan J (secured) (Note 16F)	8,209	8,940
Bank loan K (secured) (Note 16G)	2,406	2,517
Bank loan P (secured) (Note 16I)	12,523	–
Subtotal	86,570	77,208
With fixed interest rates:		
Bank loan M (secured) (Note 16H)	2,272	2,638
Bank loan N (secured) (Note 16H)	1,678	1,920
Bank loan O (secured) (Note 16H)	430	490
Subtotal	4,380	5,048
Non-current, total	90,950	82,256
Current:		
With floating interest rates:		
Bank loan A (secured) (Note 16A)	1,500	2,000
Bank loan B (secured) (Note 16A)	7,000	7,000
Bank loan C (secured) (Note 16A)	1,500	2,500
Bank loan D (secured) (Note 16B)	2,000	2,000
Bank loan E (secured) (Note 16B)	500	900
Bank loan F (secured) (Note 16C)	1,066	844
Bank loan G (secured) (Note 16D)	2,500	2,500
Bank loan H (secured) (Note 16E)	1,500	1,500
Bank loan I (secured) (Note 16F)	1,216	1,012
Bank loan J (secured) (Note 16F)	1,095	911
Bank loan K (secured) (Note 16G)	172	147
Bank loan L (secured) (Note 16A)	2,500	2,500
Bank loan P (secured) (Note 16I)	277	–
Trust receipts and bills payable (Note 16J)	21,796	10,331
Subtotal	44,622	34,145
With fixed interest rates:		
Bank loan M (secured) (Note 16H)	728	362
Bank loan N (secured) (Note 16H)	322	80
Bank loan O (secured) (Note 16H)	70	10
Subtotal	1,120	452
Current, total	45,742	34,597
Total	136,692	116,853

16. Other financial liabilities (cont'd)

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
The non-current portion is repayable as follows:		
Due within two to five years	36,706	32,314
After five years	54,244	49,942
Total non-current portion	90,950	82,256

16A. Bank loans A, B, C and L (secured)

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

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

16B. 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.

16C. Bank loan F (secured)

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

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

16D. Bank loan G (secured)

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

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

16. Other financial liabilities (cont'd)

16E. Bank loan H (secured)

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

(i) Repayable by over 3 years fixed principal instalment of $125,000 each and remaining by equal monthly instalments over 12 years commencing from May 2017.
(ii) Legal mortgage on a leasehold property (Note 6) and leasehold land (Note 7).
(iii) Legal assignment of construction contract, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreement in respect of the proposed development.
(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.

16F. Bank loans I and J (secured)

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

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

16G. 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.
(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.

16H. Bank loans M, N and O (secured)

The loans were drawn under the Enterprise Financing Scheme and repayable by monthly instalments over 5 years from the draw down date. 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.

16I. 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 certain leasehold properties (Note 6).
(iv) Corporate guarantee from the company.
(v) Need to comply with certain financial covenants.

16. Other financial liabilities (cont'd)

16J. Trust receipts and bills payable

These are repayable within 150 to 180 days (31 December 2020: 150 to 180 days) and are guaranteed by the company.

17. Lease liabilities

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Lease liabilities, current	995	881
Lease liabilities, non-current	12,929	9,355
Total	13,924	10,236

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

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Total lease liabilities at beginning of reporting period / year	10,236	11,680
Additions	4,199	–
Remeasurement	–	(77)
Accretion of interest	181	324
Lease payments – principal portion paid	(688)	(1,682)
Interest paid	(4)	(9)
Total lease liabilities at end of reporting period / year	13,924	10,236

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

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

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Carrying amounts of motor vehicles under lease liabilities	219	350

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

17. Lease liabilities (cont'd)

For the COVID-19 related rent concessions, the practical expedient was applied for reflecting the adjustment in profit or loss rather than as a lease modification as permitted by the amendment to the financial reporting standard on leases. It allows lessees to account for such rent concessions as variable lease payments. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; (iii) there is no substantive change to other terms and conditions of the lease.

During the reporting period, expense of the group relating to short-term leases included in other expenses was $472,000 (31 December 2020: $536,000).

18. Provision

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Provision for rebates	874	725
Movements in above provision:		
Balance at beginning of the period / year	725	636
Additions	874	725
Used	(725)	(636)
Balance at end of the period / year	874	725

The group gives rebates to its customers upon settlement of balances within average credit period granted i.e. 60 days (31 December 2020: 60 days).

19. Capital commitments

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

	Group	
	30 Jun 2021 $'000	31 Dec 2020 $'000
Commitments to purchase plant and equipment	2,682	2,410
Commitments to acquire 10% shareholdings held by NCI	3,515	–
Total	6,197	2,410

20. Events after the end of the reporting period

On 12 July 2021, Hafary W+S Pte. Ltd., a wholly-owned subsidiary of Hafary Pte Ltd which in turn a wholly-owned subsidiary of the company, exercised an Option-To-Purchase to purchase one unit of leasehold property.

On 2 August 2021, Hafary Pte Ltd, a wholly-owned subsidiary of the company incorporated a subsidiary, Hafary Crescent Pte. Ltd. with issued and paid-up capital of $100.

On 3 August 2021, Hafary Crescent Pte. Ltd. exercised an Option-To-Purchase to purchase one unit of leasehold property.

21. Categories of financial assets and liabilities

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

	Group	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Financial assets:		
Financial assets at amortised cost	39,599	35,171
Financial assets at fair value through profit or loss	412	412
Derivatives financial instruments at fair value	–	9
	40,011	35,592
Financial liabilities:		
Financial liabilities at amortised cost	167,678	143,364
Derivatives financial instruments at fair value	25	–
	167,703	143,364

22. Changes and adoption of financial reporting standards

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

Other Information Required by Listing Rule Appendix 7.2
30 June 2021

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

Revenue

For HY2021 the group registered a revenue of S$60.3 million compared to S$30.1 million during HY2020.

The revenue mainly consists of below segments:

<u>General segment</u>
For 6 months ended, revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S$20.3 million or 114.5% from S$17.8 million during HY2020 to S$38.1 million during HY2021. The increase in revenue was support by active resale market, robust demand from home buyers who prefer the certainty of getting their flats in the resale market and avoid the construction delays for Build-To-Order flats, caused by manpower shortages and supply chain disruption.

<u>Project segment</u>
For 6 months ended, revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$9.7 million or 91.3% from S$10.7 million during HY2020 to S$20.4 million during HY2021. The increase in revenue was backed by pent-up demand on the construction and renovation sector in 2020.

Interest Income

For HY2021, 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$2.0 million (equivalent to approximately S$2.7 million) to an associate, Viet Ceramics International Joint Stock Company ("VCI"), to support their working capital needs in Vietnam.

For HY2020, 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 HY2021, other gains mainly comprised of government grants of S$1.0 million for COVID-19 pandemic. 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.

For HY2020, other gains mainly comprised of government grants of S$1.7 million for COVID-19 pandemic. There are various relief measures and support from the Singapore government, including property tax rebates, jobs support scheme, 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.

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

Other Gains (cont'd)

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

Other Losses

For HY2021 and HY2020, other losses mainly comprised of foreign exchange adjustments losses.

Cost of Sales

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

For 6 months ended, cost of sales increased by S$15.4 million or 94.1% from S$16.3 million during HY2020 to S$31.7 million during HY2021. The increase in revenue led to a corresponding increase in the cost of sales.

The gross profit margin (based on revenue from sale of goods (excluding rental and other income) and cost of sales, without taking into account labour costs and overheads) of 45.8% for HY2021 has slightly improved as compared to 42.5% for HY2020. Higher gross profit margin generated in HY2021 mainly due to higher general segment proportionate.

Employee Benefits Expense

For 6 months ended, employee benefits expenses increased by S$2.5 million or 30.7% from S$7.9 million during HY2020 to S$10.4 million during HY2021. The increase was mainly due to revision to the accruals of bonus during the 6 months ended 2021 and 2020 and the foreign worker levy in the 6 months ended 2020. Due to outbreak of COVID-19 which adversely affected the business performance in the 6 months ended 2020, the accruals of bonus is revised down to in line with the affected business performance during the period. For 6 months ended 2021, the accrual of bonus is revision up to in line with the improve in business performance during the period. The waiver of foreign worker levy during Circuit Breaker period in 2020 and higher staff commission due to higher sales collection as compared to HY2020. As at 30 June 2021, the group had 326 employees (including directors) (31 December 2020: 325).

Amortisation and Depreciation Expense

For 6 months ended, amortisation and depreciation expenses decreased by S$0.2 million or 7.1% from S$3.8 million during HY2020 to S$3.6 million during HY2021. The decrease is mainly due to the lease tenancy of a warehouse is expired in May 2020 and the related right-of-use ("ROU") assets is fully depreciated in May 2020. The tenancy is renewed for another one year which did not met the criteria for capitalisation as ROU assets due to short term lease.

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

Impairment Losses

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

The assessment of the allowance for impairment of inventories requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events (including the impact of the COVID-19 pandemic). Of these inventories, substantial impairment allowance has been made for slow-moving inventories. The impairment allowance for slow-moving inventories is based on the age of these inventories, the prevailing market demand of the inventory category and the deterioration of the products based on past experience.

In respect of the impairment of trade receivables, the management assesses the collectability of trade receivables regularly, considering various factors such as the financial status of the group's customers and the aging of trade debts. Impairment on specific trade receivables would be made if the chance of recovery is very low. Other than that, the expected credit losses ("ECL") model is also applied to determine the loss allowance for trade receivables based on historically observed default rates adjusted for forward-looking estimates. The assessment of the allowance for ECL requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the ECL, the management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, the increase in the number of delayed receipts in the portfolio that passed the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the COVID-19 pandemic).

For 6 months ended, the impairment losses mainly comprise the impairment of inventories of S$3.4 million and reversal of impairment of trade receivables of S$0.1 million. The impairment losses increased by S$2.4 million or 251.8% from S$0.9 million during HY2020 to S$3.3 million during HY2021. The increase mainly due to the increase in allowance for impairment of inventories.

Finance Costs

For 6 months ended, finance costs decreased by S$0.3 million or 17.6% from S$1.8 million during HY2020 to S$1.5 million during HY2021. The decrease was due to lower interest rate during HY2021 as compared to HY2020 (certain banking facilities are pegged to benchmark interest rates in Singapore, such as SIBOR – lower during the period).

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

Other Expenses

For 6 months ended, other expenses increased by S$1.8 million or 57.8% from S$3.0 million during HY2020 to S$4.8 million during HY2021. The increase is mainly due to business operation has been suspended during early April 2020 to 18 June 2020.

The increase is other expenses mainly due to the increase in rental expense of S$0.4 million, commission expenses of $S0.5 million, hire of motor vehicles of S$0.4 million, upkeep of motor vehicles of S$0.2 million, utilities of S$0.1 million. The remaining other expenses which fluctuate less than S$0.1 million individually. The increase in rental in which the lease tenancy did not met the criteria for capitalization as ROU assets due to short term lease. The increase in commission expense is correlated to the increase in sales collection during the period and sales commission payable to agent for the renewal of tenancy agreement with existing tenant at 54/56 Sungei Kadut and new tenancy at 18 Sungei Kadut.

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

For 6 months ended, share of loss from associate amounted to S$0.1 million (HY2020: share of profit of S$0.6 million). The decrease was due to outbreak of COVID-19 pandemic.

Share of Profits (Losses) from Equity-Accounted Joint Ventures

For 6 months ended, share of profits from joint ventures amounted to S$0.4 million (HY2020: share of losses of S$0.4 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 period.

Profit (Loss) Before Income Tax

For 6 months ended, the group has generated a profit before tax of S$6.5 million as compared to a loss before tax of S$1.9 million in HY2020.

For 6 months ended, excluding share of loss from associate and share of profits from joint ventures amounting to S$0.3 million for HY2021 (HY2020: S$0.2 million), profit before income tax incurred from recurring activities was S$6.1 million for HY2021 (HY2020: loss before income tax of S$2.1 million).

Other Comprehensive Income (Loss)

This pertained to foreign exchange difference on translating foreign operations.

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

Income Tax Expense (Income)

The current tax expense is based on the statutory tax rates of the respective countries in which the group operates and takes into account non-deductible expenses and temporary differences. For 6 months ended, income tax expense amounted to S$1.1 million (HY2020: income tax income of S$0.3 million). The increase in income tax expense was due to higher taxable profit during the period.

Non-Current Assets

Non-current assets increased by S$20.5 million or 15.4% from S$133.4 million as at 31 December 2020 to S$153.9 million as at 30 June 2021.

Property, plant and equipment increased by S$17.0 million or 23.4% from S$72.5 million as at 31 December 2020 to S$89.5 million as at 30 June 2021. The increase was mainly due to additional of property, plant and equipment amounting to S$19.3 million and foreign exchange adjustments of S$0.1 million during HY2021. The increase is partially offset by the depreciation expense amounting to S$2.4 million during the period.

The increase was mainly due to:

a) Purchased one unit of leasehold property for own use located at 11 Changi North Way Singapore 498796 amounting to S$16.5 million (inclusive of stamp duty) by its subsidiary, Hafary Pte Ltd;
b) Showroom renovation cost amounting to S$2.2 million;
c) Purchased plant and equipment amounting to S$0.6 million; and
d) Foreign exchange adjustments of S$0.1 million

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S$2.4 million during the period.

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$3.1 million or 8.4% from S$37.9 million as at 31 December 2020 to S$41.0 million as at 30 June 2021. The increase was due to the capitalisation of right-of-use assets in relation to the leases of S$4.2 million during the period and partially offset by depreciation of S$1.1 million.

Investment in associate increased by S$0.2 million or 1.6% from S$15.8 million as at 31 December 2020 to S$16.0 million as at 30 June 2021. The increase was mainly due to exchange differences on translating associate with foreign operation amounting to S$0.3 million and partially offset by share of loss amounting to S$0.1 million from VCI.

Investment in joint ventures increased by S$0.1 million or 4.3% from S$2.7 million as at 31 December 2020 to S$2.8 million as at 30 June 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 is partially offset by dividends amounting to S$0.4 million from joint ventures.

Investment property at carrying value of S$4.2 million pertains to 532 Balestier Road Singapore 329859.

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

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

Current Assets

Current assets increased by S$5.3 million or 5.8% from S$91.5 million as at 31 December 2020 to S$96.8 million as at 30 June 2021.

The increase was mainly due to increase in trade and other receivables of S$5.4 million and other non-financial assets of S$1.6 million. The increase is partially offset by the decrease in inventories of S$0.7 million and cash and cash equivalents of S$1.0 million.

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

Trade receivables turnover day as at 30 June 2021 is 88 days compared to 90 days as at 31 December 2020. Inventory turnover day as at 30 June 2021 is 308 days compared to 354 days as at 31 December 2020. The improved trade receivables turnover days mainly due to timely collection from customer. The lower inventory turnover days as compared to 31 December 2020 due to high movement of inventories to cope the pent-up demand in the construction and renovation sector during HY2021.

Non-Current Liabilities

Non-current liabilities increased by S$12.2 million or 13.2% from S$92.3 million as at 31 December 2020 to S$104.5 million as at 30 June 2021. The increase was mainly due to increase in bank loans and lease liabilities of S$8.7 million and S$3.5 million respectively.

Current Liabilities

Current liabilities increased by S$12.0 million or 20.3% from S$59.1 million as at 31 December 2020 to S$71.1 million as at 30 June 2021.

The increase was mainly attributable to the increase in income tax payable of S$0.3 million, provision of S$0.2 million, trade and other payables of S$0.8 million, other financial liabilities of S$11.1 million and lease liabilities of S$0.1 million. The increase was partially offset by the decrease in other non-financial liabilities of S$0.5 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$29.7 million (31 December 2020: S$16.3 million). The turnover of the aforesaid items (based on cost of sales) is 184 days as at 30 June 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$11.5 million and short term loan by S$1.5 million. The increase is partially offset by the repayment of short term loan amounting to S$1.9 million.

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

Other Reserves

This pertains to foreign exchange difference on translating foreign operations.

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

Cash Flows Review

HY2021

Net cash flows from operating activities was S$8.1 million due to operating cash flows before working capital changes of S$11.1 million, net cash flows used in working capital of S$2.2 million and income tax paid of S$0.8 million. The net cash flows used in working capital of S$2.2 million was mainly attributable by the increase in trade and other receivables of S$2.5 million and other non-financial assets of S$1.6 million and decrease in other non-financial liabilities of S$0.5 million. This was partially offset by the decrease in inventories of S$0.7 million and increase in provision of S$0.1 million, trade and other payables of S$1.6 million.

Net cash flows used in investing activities amounting to S$21.6 million was mainly attributable by the purchase of plant and equipment of S$19.1 million, loan to an associate of S$2.7 million and net movements in amount due from joint ventures of S$0.2 million. This was partially offset by the dividend income from a joint venture of S$0.4 million.

Net cash flows from financing activities amounting to S$12.5 million was mainly attributable by the increase in trust receipt and bill payable of S$11.5 million and borrowings of S$14.8 million. This was partially offset by the dividends paid to equity owners of S$3.2 million, dividends paid to non-controlling interests of S$1.2 million, net movements in amounts due to a director cum a shareholder of S$0.4 million, net movements in amounts due to a shareholder of S$0.6 million, repayment of lease liabilities of S$0.7 million, decrease in other financial liabilities of S$6.4 million and repayment of interest expense of S$1.3 million.

As a result of the above, there was a net decrease of S$1.0 million in cash and cash equivalents. Cash and cash equivalents as at 30 June 2021 was S$4.2 million.

2. Forecast, or a prospect statement

There was no forecast or a prospect statement.

3. Significant trends and competitive conditions of the industry

Based on advance estimated released by Ministry of Trade and Industry (MTI) on 14 July 2021, the Singapore economy grew by 14.3 per cent on a year-on-year basis in the second quarter of 2021, extending the 1.3 per cent growth in the previous quarter. The strong growth was largely due to the low base in the second quarter of 2020 when GDP fell by 13.3 per cent due to the Circuit Breaker (CB) measures implemented from 7 April to 1 June 2020. In absolute terms, GDP in the second quarter of 2021 remained 0.9 per cent below its pre-pandemic level in the second quarter of 2019.

On a quarter-on-quarter seasonally-adjusted basis, the Singapore economy contracted by 2.0 per cent in the second quarter of 2021, a reversal from the 3.1 per cent growth in the preceding quarter.

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

The construction sector expanded by 98.8 per cent on a year-on-year basis in the second quarter of 2021, a turnaround from the 23.1 per cent contraction in the preceding quarter. The sharp upturn was due to low base effects as the CB measures had resulted in a stoppage of most construction activities in the second quarter of last year. In absolute terms, the value-added of the sector remained 31.6 per cent below its pre-pandemic (i.e., second quarter of 2019) level. On a quarter-on-quarter seasonally-adjusted basis, the construction sector shrank by 11.0 per cent in the second quarter of 2021, a reversal from the 4.5 per cent growth in the previous quarter.

The Construction sector is facing 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.

The Multi-Ministry Taskforce has announced further tightening of the border measures with India in April 2021 due to the rapidly deteriorating COVID-19 situation in the country. This move impacts the flow of Indian workers into Singapore as well as companies in the construction sector that are dependent on them. In additions, with the recent COVID-19 outbreak of KTV cluster and Jurong Fishery Port cluster, the Multi-Ministry Taskforce is tightening the measures to mitigate the risks of spreading the virus in the local community. The several measures may have impact to the group business operations, given that the group is depending on the foreign workers for its business operations and the group may face short of manpower issues. The group will continue to weathering the challenging business environment and addressed timely.

The group will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry downturn and COVID-19 pandemic.

The above information is sourced from:

1. *MTI's press release on 14 July 2021 - https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2021/07/AdvEst_2Q21.pdf*
2. *MOH's press release on 22 April 2021 - https://www.moh.gov.sg/news-highlights/details/updates-on-border-measures-for-travellers-from-india-westlite-woodlands-dormitory-cluster-and-additional-precautions-for-recovered-persons*
3. *MOH's press release on 20 July 2021 - https://www.moh.gov.sg/news-highlights/details/going-back-to-phase-2-heightened-alert*

4. Dividend

4A. Dividend declared for the current financial period

	HY2021
Name of Dividend	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.75 cent

4. Dividend (cont'd)

4B. Dividend declared for the corresponding period of the immediately preceding financial year

	HY2020
Name of Dividend	Interim Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	430,550
Dividend per share	0.25 cent

4C. Date payable

To be announced later.

4D. Record date

To be announced later.

5. Interested person transactions

Name of interested person and nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920) 6 months ended 30 June		Aggregate value of all IPTs conducted under IPT Mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 6 months ended 30 June	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Purchases of goods:				
MML Marketing Pte Ltd	–	–	3,123	1,209
Malaysian Mosaics Sdn Bhd	–	–	–	179
Sales of goods:				
Malaysian Mosaics Sdn Bhd	–	–	383	–
Low See Ching (Non-Independent Non-Executive Director)	–	151	–	–

General mandate for IPT was renewed at the Annual General Meeting held on 14 April 2021.

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

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

7. Confirmation by the board

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

By Order of the Board

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

6 August 2021