** Asterisks denote mandatory information*

Name of Announcer *	HAFARY HOLDINGS LIMITED
Company Registration No.	200918637C
Announcement submitted on behalf of	HAFARY HOLDINGS LIMITED
Announcement is submitted with respect to *	HAFARY HOLDINGS LIMITED
Announcement is submitted by *	Tay Eng Kiat Jackson
Designation *	Financial Controller
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>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

For the Financial Period Ended *	31-12-2011
Description	Please refer to attachments.

Attachments	HHL_Half_Year_Results_Announcement_HY2012.pdf HHL_Attach_1_Auditors_Review_Report_HY2012.pdf Total size = **230K** (2048K size limit recommended)

合發利控股有限公司

HAFARY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200918637C)

Half Year Financial Statements and Dividend Announcement For the Period Ended 31 December 2011

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Collins Stewart Pte. Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Collins Stewart Pte. Limited has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

1(a) Statement of Comprehensive Income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Unaudited 31-Dec-11 (6 months) S$'000	Unaudited 31-Dec-10 (6 months) S$'000	% Change Increase/ (Decrease)
Revenue	32,335	30,987	4%
<u>Other Items of Income</u>			
Other Credits	184	470	-61%
<u>Items of Expense</u>			
Changes in Inventories of Goods Held for Resale	3,116	5,431	-43%
Purchases and Related Costs	(22,203)	(23,937)	-7%
Employee Benefits Expenses	(4,921)	(3,041)	62%
Depreciation Expense	(450)	(347)	30%
Impairment Losses	(160)	(544)	-71%
Finance Costs	(549)	(402)	37%
Other Expenses	(3,662)	(2,574)	42%
Other Charges	(259)	(237)	9%
Profit Before Income Tax	**3,431**	**5,806**	**-41%**
Income Tax Expense	(588)	(988)	-40%
Profit, Net of Tax and Total Comprehensive Income for the Period	**2,843**	**4,818**	**-41%**
Profit Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent	2,519	4,532	-44%
- Non-Controlling Interests	324	286	13%
	2,843	**4,818**	**-41%**

1(a)(i) Profit Before Income Tax is arrived after crediting / (charging) the following :

	Group		
	Unaudited 31-Dec-11 (6 months) S$'000	Unaudited 31-Dec-10 (6 months) S$'000	% Change Increase/ (Decrease)
Depreciation Expense	(450)	(347)	30%
Loss on Disposal of Property, Plant and Equipment	(1)	-	N.M.
Allowance for Impairment of Inventories	(176)	(213)	N.M.
Allowance for Impairment of Inventories (reversal)	27	-	N.M.
Allowance for Impairment of Trade Receivables	(13)	(331)	-96%
Bad Debts Recovered - net	2	-	N.M.
Foreign Exchange Adjustment Losses	(259)	(38)	582%
Fair Value Gains on Derivative Financial Instruments	171	271	-37%
Interest Expense on Borrowings	(549)	(402)	37%

Note:
(1) N.M. = Not Meaningful

1(a)(ii) Segmented revenue and results for business segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the corresponding period of the immediately preceding financial year.

For period ended 31 December 2011

	General	Project	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000
Revenue by segment				
Total revenue by segment:	20,891	11,390	54	32,335
Recurring EBITDA*	3,302	1,082	46	4,430
Finance costs	(513)	(31)	(5)	(549)
Depreciation expense	(359)	(53)	(38)	(450)
ORBIT**				3,431
Income tax expense				(588)
Profit, net of tax				2,843
Other Material Items and Reconciliations				
Impairment of assets (reversal)	174	(14)	-	160

For period ended 31 December 2010

	General	Project	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000
Revenue by segment				
Total revenue by segment:	20,497	10,474	16	30,987
Recurring EBITDA*	4,816	1,726	13	6,555
Finance costs	(383)	(19)	-	(402)
Depreciation expense	(296)	(51)	-	(347)
ORBIT**				5,806
Income tax expense				(988)
Profit, net of tax				4,818
Other Material Items and Reconciliations				
Impairment of assets	287	257	-	544

* Earnings Before Interest, Tax & Depreciation
** Operating Results Before Tax

1(b)(i) **Statement of Financial Positions (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	Unaudited 31-Dec-11 S$'000	Audited 30-Jun-11 S$'000	Unaudited 31-Dec-11 S$'000	Audited 30-Jun-11 S$'000
ASSETS				
Non Current Assets:				
Property, Plant and Equipment	27,736	5,031	301	339
Development Property	29,156	22,954	-	-
Other Assets	-	1,980	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Total Non-Current Assets	**56,892**	**29,965**	**9,540**	**9,578**
Current Assets:				
Inventories	26,929	23,964	-	-
Trade and Other Receivables	17,164	13,993	7,199	8,411
Derivative Financial Instruments	108	-	-	-
Other Assets	2,456	1,850	79	62
Cash and Cash Equivalents	15,829	3,273	6,139	112
Total Current Assets	**62,486**	**43,080**	**13,417**	**8,585**
Total Assets	**119,378**	**73,045**	**22,957**	**18,163**
EQUITY AND LIABILITIES				
Equity				
Share Capital	20,875	14,508	20,875	14,508
Retained Earnings	10,346	9,290	1,357	2,788
Equity, Attributable to Owners of the Parent	31,221	23,798	22,232	17,296
Non-Controlling Interests	1,502	1,388	-	-
Total Equity	**32,723**	**25,186**	**22,232**	**17,296**
Non-Current Liabilities:				
Deferred Tax Liabilities	243	243	-	-
Other Financial Liabilities	28,792	20,103	192	221
Other Liabilities	19,583	-	-	-
Total Non-Current Liabilities	**48,618**	**20,346**	**192**	**221**
Current Liabilities:				
Provision	234	265	-	-
Income Tax Payable	899	1,409	4	4
Trade and Other Payables	9,234	7,021	471	586
Derivative Financial Instruments	-	63	-	-
Other Financial Liabilities	26,986	18,632	58	56
Other Liabitilies	684	123	-	-
Total Current Liabilities	**38,037**	**27,513**	**533**	**646**
Total Liabilities	**86,655**	**47,859**	**725**	**867**
Total Equity and Liabilities	**119,378**	**73,045**	**22,957**	**18,163**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand:

	As at 31 December 2011		**As at 30 June 2011**	
	Secured	Unsecured	Secured	Unsecured
	S$000	S$000	S$000	S$000
Bank Loans	8,397	308	1,154	778
Trust Receips and Bills Payable to Banks	18,151	-	16,573	-
Finance Leases	130	-	127	-
	26,678	308	17,854	778

Amount repayable after one year:

	As at 31 December 2011		**As at 30 June 2011**	
	Secured	Unsecured	Secured	Unsecured
	S$000	S$000	S$000	S$000
Bank Loans	28,165	323	19,732	-
Finance Leases	304	-	371	-
	28,469	323	20,103	-

Details of collateral referring to the above borrowings:

Bank Loans
These are covered by corporate guarantee given by Hafary Holdings Limited and secured by legal charges over leasehold properties and development property of the subsidiaries.

Bank loans which give the lenders the right to demand repayment at any time and at their sole discretion are known as callable loans. As at 30 June 2011, a bank loan (unsecured) amounting to S$778,000 fell under the definition of callable loan and was classified as current liabilities in the statements of financial position. As at 31 December 2011, the bank has issued a letter to waive the callable clause. Consequently, the non-current portion of the bank loan (unsecured), amounting to S$323,000, is presented in the statements of financial position under non-current liabilities.

Trust Receipts and Bills Payable to Banks
These are covered by corporate guarantee given by Hafary Holdings Limited.

Finance Leases
The obligations under finance leases are secured by the lessors' charge over the leased motor vehicles.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Unaudited - 6 months ended	
	31-Dec-11 S$'000	31-Dec-10 S$'000
Cash Flows From Operating Activities:		
Profit Before Income Tax	3,431	5,806
Depreciation of Property, Plant and Equipment	450	347
Interest Expense	549	402
Fair Value Gains on Derivative Financial Instruments	(171)	(271)
Loss on Disposal of Property, Plant and Equipment	1	-
Operating Cash Flows Before Working Capital Changes	4,260	6,284
Inventories	(2,965)	(5,218)
Trade and Other Receivables	(3,171)	(4,448)
Other Assets	(1,189)	(1,423)
Provision	(31)	64
Trade and Other Payables	2,213	2,400
Other Liabilities	561	-
Net Cash Flows Used in Operations	(322)	(2,341)
Income Taxes Paid	(1,098)	(555)
Net Cash Flows Used in Operating Activities	**(1,420)**	**(2,896)**
Cash Flows From Investing Activities:		
Proceeds From Disposal of Property, Plant and Equipment	3	-
Payment for Development Property Costs	(6,202)	-
Progress Payment Received for Disposal of Development Property	19,583	-
Purchase of Property, Plant and Equipment	(20,596)	(22,794)
Net Cash Flows Used in Investing Activities	**(7,212)**	**(22,794)**
Cash Flows From Financing Activities:		
Issue of Shares	6,367	-
Dividends paid to Equity Shareholders	(1,463)	-
Dividends Paid to Non-Controlling Interests	(210)	-
(Increase)/Decrease in Cash Restricted in Use over 3 months	(6,697)	32
Increase in Bills payables and Trust Receipts	1,578	6,623
Repayment of Finance Lease Liabilities	(64)	(55)
Repayment of Bank Loans	(11,665)	(1,288)
Proceeds From New Bank Loans	27,194	17,200
Interest Expense Paid	(549)	(402)
Net Cash Flows From Financing Activities	**14,491**	**22,110**
Net Increase/ (Decrease) in Cash and Cash Equivalents	5,859	(3,580)
Cash and Cash Equivalents Beginning Balance	3,273	5,229
Cash and Cash Equivalents Ending Balance(1)(2)	**9,132**	**1,649**

Notes:

(1) Cash and cash equivalents less the restricted cash of S$6,697,000 as at 31 December 2011 (31 December 2010: S$212,000) and bank overdraft of S$109,000 as at 31 December 2010. There is no bank overdraft as at 31 December 2011.

(2) Subsequent to 31 December 2011, the Group disbursed S$4.7 million (Equivalent to RMB23.2 million) for investment in joint venture, Hunan Cappuccino Construction Materials Co., Ltd.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Total Equity S$'000	Attributable to Parent Subtotal S$'000	Share Capital S$'000	Retained Earnings S$'000	Non-Controlling Interests S$'000
Current Year (Unaudited):					
Opening Balance at 1 July 2011	25,186	23,798	14,508	9,290	1,388
Issue of Shares	6,400	6,400	6,400	-	-
Share Issue Expenses	(33)	(33)	(33)	-	-
Total Comprehensive Income for the Period	2,843	2,519	-	2,519	324
Dividends Paid [2]	(1,463)	(1,463)	-	(1,463)	-
Dividends Paid to Non-Controlling Interests	(210)	-	-	-	(210)
Closing Balance at 31 December 2011	**32,723**	**31,221**	**20,875**	**10,346**	**1,502**
Previous Year (Unaudited):					
Opening Balance at 1 July 2010	18,435	17,569	14,508	3,061	866
Total Comprehensive Income for the Period	4,818	4,532	-	4,532	286
Closing Balance at 31 December 2010	**23,253**	**22,101**	**14,508**	**7,593**	**1,152**

COMPANY	Total Equity S$'000	Share Capital S$'000	Retained Earnings S$'000	Capital Reserve S$'000
Current Year (Unaudited):				
Opening Balance at 1 July 2011	17,296	14,508	2,788	-
Issue of Shares	6,400	6,400	-	-
Share Issue Expenses	(33)	(33)	-	-
Total Comprehensive Income for the Period	832	-	832	-
Dividends Paid [2]	(1,463)	-	(1,463)	-
Closing Balance at 31 December 2011	**23,032**	**20,875**	**2,157**	**-**
Previous Year (Unaudited):				
Opening Balance at 1 July 2010	16,393	14,508	876	1,009 [1]
Total Comprehensive Loss for the Period	(191)	-	(191)	-
Closing Balance at 31 December 2010	**16,202**	**14,508**	**685**	**1,009**

Notes:

(1) The reserve arose from a Restructuring Exercise carried out in the reporting year ended 30 June 2010 in connection with the Company's Initial Public Offering. The amount is the difference between the Company's investment cost in Hafary Pte Ltd of S$9,239,000 and the consideration of S$8,230,000. The capital reserve has been reclassified to retained earnings in the second half of the reporting year ended 30 June 2011.

(2)

	HY2012 S$'000	HY2011 S$'000
Final tax exempt (1-tier) dividend paid of 0.9 cent per share	1,463	-

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Company			
	31 December 2011		31 December 2010	
	Shares	S$'000	Shares	S$'000
Total number of shares at the beginning of the period	162,500,000	14,508	162,500,000	14,508
Issue of shares pursuant to private placement exercise	32,000,000	6,367	-	-
Total number of shares at the end of the period	194,500,000	20,875	162,500,000	14,508

On 24 November 2011, the Company issued 32,000,000 new ordinary shares of no par value in its private placement exercise at an issue price of S$0.20 for each ordinary share. Net proceeds (gross proceeds of S$6,400,000 less costs directly attributable to the share issue of S$33,000) amounting to S$6,367,000 is raised in this private placement exercise.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the immediately preceding year

Company	
31 December 2011	**30 June 2011**
194,500,000	162,500,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has no treasury shares as at 31 December 2011.

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

The statements of financial position of the Group and the Company as at 31 December 2011, and the related statement of comprehensive income of the Group, statements of changes in equity of the Group and the Company, and statement of cash flows of the Group for the six-month period then ended, and explanatory notes are not audited but have been reviewed by the auditors in accordance with the Singapore Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

3 Where the figures have been audited or reviewed, the auditor' report (including any qualifications or emphasis of a matter)

The Independent Auditors' Report on review of the interim financial information is on Attach 1 of this announcement.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The interim financial information has been prepared in accordance with the Singapore Financial Reporting Standard 34, Interim Financial Reporting. The interim financial information have been prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment such as fair values.

The Group had adopted the applicable new and/or revised Financial Reporting Standards (the "FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 July 2011. Changes to the Group's accounting policies have been made in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and/or revised FRS and INT FRS did not result in any substantial changes to or significant impact on the Group's financial statements.

Except for the above, the Group has adopted the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the financial year ended 30 June 2011.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change

Same as above.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share ('EPS') for the period based on total comprehensive income attributable to owners of the parent:-

	Group	
	Unaudited 31-Dec-11 (6 months)	Unaudited 31-Dec-10 (6 months)
(a) Based on the weighted average number of ordinary shares in issue; and	1.49 cents	2.79 cents
Weighted average number of ordinary shares	168,934,783	162,500,000
(b) On a fully diluted basis	1.49 cents	2.79 cents
Weighted average number of ordinary shares	168,934,783	162,500,000

Note:

EPS for 31 December 2011 have been computed based on weighted average number of pre-private placement share capital of 162,500,000 shares and 32,000,000 new ordinary shares arising from its private placement exercise.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31-Dec-11	30-Jun-11	31-Dec-11	30-Jun-11
Net asset value per ordinary share based on the total number of share in issue	16.05 cents	14.64 cents	11.43 cents	10.64 cents

Note:

Net asset value per ordinary share is calculated based on 194,500,000 shares and 162,500,000 shares as at 31 December 2011 and 30 June 2011 respectively.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Material factors that affected turnover, costs and earnings

Revenue

Revenue increased by S$1.3 million or 4.3% from S$31.0 million during HY2011 to S$32.3 million during HY2012.

Revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased marginally by S$0.4 million from S$20.5 million during HY2011 to S$20.9 million during HY2012. This was due to the grim global economic outlook brought about by the Eurozone crisis (which became more apparent since June 2011) which affected the Singapore's economy. There was also a discernible decrease in the number of residential unit resale transactions since the beginning of year 2011 due to anti-speculation measures by the Singapore government to cool the property market.

Revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$0.9 million from S$10.5 million during HY2011 to S$11.4 million during HY2012. This is mainly due to an increased number of private property launches in the past 3 years. Normally, surfacing materials will be supplied 2 to 3 years after the launch of property development projects, for installation in units depending on the construction progress. The Group supplied tiles and building materials for several notable development projects during HY2012, such as Hotel @ Changi Business Park Central 1, Jurong Entertainment Centre and The Gale.

Other Credits

Other credits decreased by S$0.3 million or 60.9% from S$0.5 million during HY2011 to S$0.2 million during HY2012 mainly due to lower fair value gain on foreign currency forward contracts amounting to S$0.2 million during HY2012 (HY2011: S$0.3 million). In HY2012, there was also an absence of foreign exchange adjustment gain (HY2011: S$0.2 million).

Cost of Sales

The slight increase in cost of sales by S$0.6 million or 3.1% from S$18.5 million during HY2011 to S$19.1 million during HY2012 was in tandem with the increase in revenue.

The gross profit margin of 41.0% in HY2012 was comparable to 40.3% in HY2011.

Employee Benefits Expenses

Employee benefits expenses increased by S$1.9 million or 61.8% from S$3.0 million during HY2011 to S$4.9 million during HY2012.

The increase was mainly due to salary increments and increase in headcount and overtime expenses incurred to cope with the increased operations. As at 31 December 2011, the Group had 195 employees (including directors) (31 December 2010: 147).

During HY2012, the Group also made allowance for employees' bonuses, directors' fees and directors' performance bonus amounting to S$0.7 million. Similar allowance were not made during HY2011.

Depreciation Expense

Depreciation expense increased by S$0.1 million or 29.7% from S$0.3 million during HY2011 to S$0.4 million during HY2012.

The increase was due to major additions during/ after HY2011, which included:

a) Delivery vehicles and forklifts to cope with the increase in inventories and sales volume;
b) Renovation works for the Group's showroom at Tradehub21 (18 Boon Lay Way); and
c) Property at 18C Sungei Kadut Street 4.

Impairment Losses

Impairment losses decreased by S$0.4 million or 70.6% from S$0.5 million during HY2011 to S$0.1 million during HY2012.

Impairment losses for HY2012 comprised mainly of:

a) Allowance for impairment of inventories of S$149,000; and
b) Allowance for impairment of trade receivables of S$13,000.

The above inventories and trade receivables are impaired as the management assessed that the likelihood of recovery is low.

Finance Costs

Finance costs increased by S$0.1 million or 36.6% from S$0.4 million during HY2011 to S$0.5 million during HY2012.

The increase was mainly attributable to increase in interest expense on trust receipts and bills payable to banks in view of the higher purchases and related costs towards the end of HY2012 to fulfil demand for surfacing materials during the few weeks after Chinese New Year and prior to resumption of production by suppliers in China. The Group also incurred interest expense of approximately S$78,000 for bank loans drawn down for the acquisition of 105 Eunos Avenue 3 and 3 Changi North Street 1 during HY2012.

Other Expenses

Other expenses increased by S$1.1 million or 42.3% from S$2.6 million during HY2011 to S$3.7 million during HY2012.

The increase was mainly attributable to:

a) Increase in rental of premises and land (office, showroom and warehouse) expenses by S$0.4 million. There is additional rental of warehouse space for a subsidiary's use at 15 Defu Avenue 1 towards the end of HY2011. Full period rental of this additional space was incurred during HY2012. In view of the increased operations and inventory level, the Group also rented additional storage space at its storage facility at 19 Sungei Kadut Street 2. During HY2012, the Group acquired 18C Sungei Kadut Street 4 and incurred land rental expenses due to Jurong Town Corporation with effect from September 2011.

b) Increase in upkeep of motor vehicles and forklifts and other repair and maintenance by S$0.1 million due to higher utilisation of plant and equipment to cope with the higher level of operations.

c) Increase in transportation costs by S$0.1 million due to increase in logistical costs arising from expanded operations.

d) Increase in professional fees and auditors' remuneration by S$0.3 million. The increase was due to:
- Commencement of legal action by a subsidiary against its former director for breach of employment contract in February 2011. In September 2011, the subsidiary and the former director resolved the case through private settlement;
- Increase in allowance for auditors' fees for the six months ended 31 December 2011; and
- Consultancy fee for the purchase of 18C Sungei Kadut Street 4.

e) Increase in staff welfare expenses by approximately S$0.1 million due to increased headcount.

f) Accumulative increase in other expense items (for example utilities) amounting to S$0.1 million.

Other Charges

The slight increase in other charges was due to an increase in foreign exchange adjustment losses.

Profit Before Income Tax

Profit before income tax decreased by S$2.4 million or 40.9% from S$5.8 million during HY2011 to S$3.4 million during HY2012.

Generally, profit before income tax decreased due mainly to the increase in employee benefits expenses and other expenses in view of the reasons stated above.

Income Tax Expenses

The effective tax rate for HY2012 was 17.1% (HY2011: 17.0%) and comparable to the Singapore corporate tax rate of 17%. Tax exemptions did not result in a lower effective tax rate due to non-deductible items such as depreciation of non-qualifying property, plant and equipment.

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

Non-Current Assets

Non-current assets inceased by S$26.9 million from S$30.0 million as at 30 June 2011 to S$56.9 million as at 31 December 2011.

Property, plant and equipment increased by S$22.7 million from S$5.0 million as at 30 June 2011 to S$27.7 million as at 31 December 2011. The increase was mainly due to additions in the following assets:

a) Furniture and fittings and renovation amounting to S$0.3 million;
b) Motor vehicles and forklifts amounting to S$0.3 million;
c) Property at 18C Sungei Kadut Street 4 amounting to S$1.4 million;
d) Property at 105 Eunos Avenue 3 amounting to S$10.4 million; and
e) Property at 3 Changi North Street 1 amounting to S$10.7 million.

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S$0.4 million.

Other assets relating to deposits of S$2.0 million relating to acquisition of properties at 105 Eunos Avenue 3 and 3 Changi North Street 1 have been classified under property, plant and equipment upon completion of the acquisitions during HY2012. Depreciation for properties at 105 Eunos Avenue 3 and 3 Changi North Street 1 has not commenced as these premises were not ready for use as at 31 December 2011.

Development property increased by S$6.2 million due to additional construction costs and qualifying expenses (for capitalization) incurred for development property at 79 Aljunied Road during HY2012. The Group contracted to sell all the units in the development property in December 2011.

Current Assets

Current assets increased by S$19.4 million from S$43.1 million in FY2011 to S$62.5 million in HY2012 due to:

a) Increase in inventories by S$3.0 million, trade and other receivables by S$3.2 million, other assets by S$0.5 million and cash and cash equivalents by S$12.6 million; and
b) Derivative financial instruments amounting to S$0.1 million (FY2011: Classified under current liabilities).

The higher inventory balance was consistent with the Group's strategy of improving customer service by offering a wide product range of tiles, stone tiles, marble, engineered wood flooring and sanitary ware. As at 31 December 2011, the Group also held tiles which would be delivered for HDB construction projects it secured in the second half of FY2012. Inventory turnover days increased to 264 as at 31 December 2011 compared to 252 as at 30 June 2011.

The increase in trade receivables was largely in line with revenue growth during HY2012. There was goods and services tax refundable of $0.6 million arising from the acquisition of 3 Changi North Street 1 which was completed during the second quarter of FY2012. Trade receivable turnover days increased to 97 as at 31 December 2011 compared to 88 as at 30 June 2011.

Non-Current Liabilities

Non-current liabilities increased by S$28.3 million from S$20.3 million as at 30 June 2011 to S$48.6 million as at 31 December 2011.

Other financial liabilities (non-current) increased by S$8.7 million due to repayments and drawdowns of bank loans during HY2012, detailed as follows:-

a) Drawdown of bank loans for acquisition of 18C Sungei Kadut Street 4, 105 Eunos Avenue 3 and 3 Changi North Street 1 amounting to S$17.5 million, of which S$16.7 million is classified under non-current liabilities; and

b) Reclassification of a bank loan amounting to S$0.3 million as at 31 December 2011 to non-current liabilities pursuant to the waiver of the callable clause in the loan agreement. This bank loan was previously treated as callable loan and classified under current liabilities as at 30 June 2011.

Non-Current Liabilities (Continued)

The above increase was partially offset by the following:

a) Net repayment of development charge ('DC') loan amounting to S$0.5 million during HY2012; and
b) Repayments of bank loans for the acquisition of 54/ 56 Sungei Kadut Loop and land at 79 Aljunied Road amounting to S$7.8 million.

As at 31 December 2011, progress payments (including booking fee) for the sale of all units at 79 Aljunied Road amounting to S$19.6 million, which comprised approximately 30% of the total sale proceeds, were received and classified under other liabilities.

Current Liabilities

Current liabilities increased by S$10.5 million from S$27.5 million as at 30 June 2011 to S$38.0 million as at 31 December 2011 mainly due to an increase in other financial liabilities by S$8.4 million, trade and other payables by S$2.2 million and other liabilities by S$0.5 million.

The above were partially offset by the following:

a) Decrease in income tax payable by S$0.5 million; and
b) Decrease in financial derivative instruments of S$0.1 million under current liabilities. Financial derivative instruments as at 31 December 2011 was classified under current assets.

Total amount of trade payables and trust receipts and bills payable to banks was S$27.4 million (FY2011: S$23.4 million). The turnover days of the aforesaid items based on cost of sales was 262 as at 31 December 2011 compared to 240 as at 30 June 2011. This was due to a relatively large shipment of goods received towards the end of HY2012 to fulfil demand for surfacing materials during the few weeks after Chinese New Year and prior to resumption of production by suppliers in China.

Increase in other financial liabilities (current) of S$8.4 million from S$18.6 million as at 30 June 2011 to S$27.0 million as at 31 December 2011 was due to:
a) Increase in trust receipts and bills payable to banks by S$1.6 million;
b) Drawdown of short-term bank loans amounting to S$6.6 million; and
c) Drawdown of bank loan for acquisition of 18C Sungei Kadut Street 1 and 3 Changi North Street 1 amounting to $9.6 million, of which S$0.7 million is classified under current liabilities.

The above was partially offset by the decrease in a bank loan of S$0.5 million due mainly to the reclassification of a bank loan amounting to S$0.3 million as at 31 December 2011 to non-current liabilities pursuant to the waiver of callable clause in the loan agreement. This bank loan, amounting to S$0.8 million as at 30 June 2011, was previously treated as callable loan and classified under current liabilities.

Cash Flows Review

Net cash flows used in operating activities amounted to S$1.4 million in HY2012, represented by operating cash flows before working capital changes of S$4.3 million, cash flows used in working capital of SS4.6 million and income taxes paid of S$1.1 million. The cash flows used in working capital of S$4.6 million was due to increase in inventories of S$3.0 million, increase in trade and other receivables of S$3.2 million, increase in other assets of S$1.2 million, which were partially offset by the increase in trade and other payables of S$2.2 million and increase in other liabilities of S$0.6 million. The net cash flows used in operating activities was lower than HY2011 due to better working capital management during HY2012.

Net cash flows used in investing activities amounted to S$7.2 million in HY2012 due to cash outflows of S$26.8 million for the acquisition of properties at 18C Sungei Kadut Street 4, 105 Eunos Avenue 3 and 3 Changi North Street 1, purchase of plant and equipment to cope with increased operations and payment of construction cost and selling expenses of the development property at 79 Aljunied Road. The above outflow was partially offset by the receipt of S$19.6 million of progress payment (including booking fee) for the development property at 79 Aljunied Road.

Cash Fows Review (Continued)

Net cash flows generated from financing activities amounted to S$14.5 million for HY2012. The increase was mainly attributable to the following:

a) Net proceeds from the issue of ordinary shares amounting to S$6.4 million. In November 2011, the Company issued 32,000,000 new ordinary shares at S$0.20 each via a private placement exercise;
b) Net increase in bank loans amounting to S$27.2 million in relation to the development of the property at 79 Aljunied Road and working capital; and
c) Increase in bills payable and trust receipts amounting to S$1.6 million.

The above increase was partially offset by the following:

a) Dividends paid of S$1.7 million;
b) Increase in restricted cash balances of S$6.7 million;
c) Repayment of bank loans of S$11.7 million mainly in relation to the development of the property at 79 Aljunied Road; and
d) Interest expenses of S$0.5 million.

As a result of the above, there was a net increase of S$5.9 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2011 was S$15.8 million (including restricted cash of S$6.7 million).

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

No forecast or prospect statement has been previously disclosed to shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In view that the business environment for the next 12 months appears to be more challenging as the Eurozone crisis continues its adverse impact on the global economy (and consequently, the Singapore's economy and property sector), the Group is planning to increase its marketing initiatives to strengthen our branding in the market.

The establishment of the Group's joint venture, Hunan Cappuccino Construction Materials Co., Ltd, is expected to be concluded in the second half of FY2012. Production is expected to commence around the start of FY2013. However, it is not expected to contribute significantly to the Group's results in the initial years.

The Group contracted to sell all the units in the development property at 79 Aljunied Road in December 2011. The development of 79 Aljunied Road is ongoing and is expected to be completed at around January 2013. Upon the transfer of ownership of the units to buyers, the revenue and related costs on development property would be recognised.

In the next 12 months, the Group will focus on costs control, sourcing for new customers and enhancement of operational efficiency to improve financial performance and staying nimble and be prepared for any unanticipated changes in the business and economic environment. The development of 105 Eunos Avenue 3 and 3 Changi North Street 1 into the Group's corporate headquarters and warehousing facilities is targeted for completion during FY2013 and is expected to further improve the Group's cost efficiency.

11 Dividend

(a) Current Financial Reported On

Any dividend declared for the current financial period reported on?

	31-Dec-11
Name of Dividend	Interim (Exempt 1-tier)
Type of Dividend	Cash
Dividend per share	1.0 cent
Total dividend (S$'000)	1,945

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
Nil.

(c) Date Payable
To be announced on a later date.

(d) Books closure date
To be announced on a later date.

12 If no dividend has been declared/recommended, a statement to that effect
Not applicable.

13 Interested Person Transactions

No mandate has been obtained from the shareholders in respect of interested person transactions for the financial year ending 30 June 2012.

	HY2012	HY2011
	S$'000	S$'000
Rental paid to Ascender Investment Pte Ltd (1)	174	117
Sales to Galaxy Builders Pte Ltd (2)	160	-
Sales to Hume Construction Pte Ltd (2)	20	-
Sales to Oxley Construction Pte Ltd (2)	109	96

Notes:

(1) The rental rate was agreed between our Group and Ascender Investment Pte Ltd having regard to prevailing market rental rate for similar premises, based on commercial terms and on an arm's length basis.

(2) The transactions were entered into based on commercial terms and on an arm's length basis.

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

We, Low Kok Ann and Low See Ching, being Directors of the Company, do thereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the financial period ended 31 December 2011 to be false or misleading in any material aspect.

By order of the Board

Low See Ching
Chief Executive Officer and Executive Director

14 February 2012

RSM Chio Lim

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Our Ref: RSMCL/0220/C2/6222

The Board of Directors
Hafary Holdings Limited
No.15 Defu Avenue 1
Singapore 539538

Dear Sirs,

Report on Review of Interim Financial Information
For the Six-Months Period Ended 31 December 2011

Introduction

We have reviewed the accompanying interim financial information of Hafary Holdings Limited (the "company") and its subsidiaries (collectively, the "group") set out on pages 2 to 11, which comprise the statements of financial position of the group and the company as at 31 December 2011, and the related statement of comprehensive income of the group, statements of changes in equity of the group and the company, and statement of cash flows of the group for the six-month period then ended and explanatory notes.

The management of the company is responsible for the preparation and fair presentation of this financial information in accordance with Financial Reporting Standard 34, *Interim Financial Reporting* ("FRS 34"). Such interim financial information has been prepared by management of the company for announcement on the Singapore Exchange. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with FRS 34.

RSM Chio Lim LLP

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants

Singapore

14 February 2012