WONG FONG INDUSTRIES

ANNUAL REPORT

2019

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with Rules 226(2) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Chia Beng Kwan, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.

CORPORATE PROFILE

With origins tracing back to 1964 and a presence in Singapore, Malaysia and Myanmar, Wong Fong Industries Limited ("**Wong Fong**" or the "**Company**" and together with its subsidiaries, the "**Group**") is one of the leading providers of land transport engineering solutions and systems for various industries in Singapore, Malaysia and Myanmar with a growing training and education business.

Its manufacturing facilities in Singapore and Malaysia have a combined land area of approximately 16,500 square metres. Other than its core load handling business, it also furnishes clients with innovative waste management systems as well as assistive technology and mobility aids. Wong Fong also provides unique customised solutions, in which the Advanced Engineering Team will partner closely with the client to understand, engineer and prototype the required solutions prior to production. Having one of the largest and most advanced service centres for hydraulic and mechanical equipment, clients are assured of competent after sales service. Wong Fong Academy Pte. Ltd. ("**WFA**") completes the solution by providing targeted training for users of these equipment so as to ensure that operational competency and safety standards are met.

Wong Fong's training business, which first commenced in 2011, has grown dynamically in recent years. Today, the Group conducts training in over 80 courses, many of which are Singapore Workforce Skills Qualifications-accredited, across diverse industries. They include, among others, areas such as industrial, construction, food hygiene, quality and service audit, consultancy, workplace safety, security and food and beverage.

To drive future growth more effectively, the Group intends to consolidate its training, education, human capital and consultancy business entities under a single integrated human capital development platform - 1Summit Global Pte. Ltd. ("**1SG**"). Through 1SG, the Group aims to offer more well-rounded services across the entire human capital value chain. This covers not only training and certifying workers but also filling the downstream gap by providing manpower and human resource placement as well as consultancy and auditing services.

OUR BUSINESS

Wong Fong is one of the leading providers of land transport engineering solutions and systems for the logistics, construction, waste management and defence industries with a growing training and education business. With presence in Singapore, Malaysia and Myanmar, the Group serves a broad customer base.

TRAINING

- Provides more than 80 courses under its curriculum, many of which are Singapore Workforce Skills Qualifications-accredited, as well as hospitality consultancy services.
- Courses include, among others, skill and safety-related training for diverse sectors such as industrial engineering, construction, food and beverage, security and cleaning as well as heavy industries comprising of oil and gas, shipyard as well as marine and logistics.
- Have trained over 20,000 workers in Singapore.
- Both WFA and Ascendo International Holdings Pte. Ltd. ("**Ascendo**") are Approved Training Organisations under the Workforce Skills Qualifications Framework.
- Our training, education, human capital and consultancy business entities will be consolidated under 1SG, a single integrated human capital development platform that is committed to empower and develop an agile and innovative workforce.

ENGINEERING

EQUIPMENT SALES

- Sells and installs load handling systems and waste management systems, assistive technology as well as mobility aids.
- Range includes truck-mounted cranes, tailgates, tippers, self-loaders, hookloaders, portable compactors and sweeper vehicles.
- Exclusive and sole dealerships for *DHOLLANDIA (Belgium), PALFINGER (Austria), PÖTTINGER (Austria), HIDRO-MAK (Turkey), OMB (Italy), STRAUTMANN (Germany), SPRING MACHINE CONTROL (Italy), TANA (Finland), TP CHIPPER (Denmark), CONTENUR (Spain) and SANY PALFINGER (China).*

PROJECTS

- Provides design, customisation, fabrication and integration services to meet the specific requirements of customers.
- Offers Advanced Engineering services, which provides customers with enhanced and innovative engineering and industrial solutions.
- Focus areas for product and service development include military, urban material regeneration, specialised vehicles and electric-mobility.
- Products developed includes ZUKUN solutions for smart compactor, onboard weighing and crane stability control system.

REPAIRS AND SERVICING

- Operates one of the largest service centres for truck-mounted cranes, hookloaders and tailgates in Singapore.
- With a team of qualified and experienced servicing staff to handle equipment breakdowns and servicing needs.
- On 24-hour standby mobile service team that carries out on-site servicing and inspections.
- Certified by the Singapore Accreditation Council to inspect and certify hookloaders and open-top container bins.

A MESSAGE FROM OUR

CHAIRMAN AND GROUP CEO

PAO KIEW TEE
Independent Chairman

JAMES LIEW
Co-Founder and Group Chief Executive Officer

Dear Shareholders,

On behalf of the board of directors of the Company ("**Board**" or "**Directors**") we are pleased to present Wong Fong's annual report for the financial year ended 31 December ("**FY**") 2019. Amid a long drawn out trade war between USA and China, Singapore's export oriented economy almost hit the brakes as the Ministry of Trade and Industry ("**MTI**") had to revise their full year economic forecast thrice – all downwards. The signing of a phase one trade deal between the top two economic superpowers in January 2020 gave us hope that the worst was over as MTI upgraded (albeit slightly) Singapore's 2020 growth forecast.

The Engineering business continues to face headwinds from a slowing economy and increased competition which had resulted in a decrease in FY2019 revenue of about 11.6%. This was partially offset by a 34.4% increase in revenue for the Training business. The Training business continues to contribute substantially to the Group and made two acquisitions in FY2019 which strengthened its consultancy and talent management business segments. Shareholders should also be pleased to know that the Group had proposed to continue with the increasing dividend trend since being listed in 2016.

INCREASED DIVIDEND

The Company is proposing a 36.8% increase in final dividend to 0.52 Singapore cents per share. If we include the special dividend of 0.13 Singapore cents per share paid in FY2018, the proposed increase in total one-tier dividend for FY2019 compared to FY2018 will be about 2.0%. The proposed dividend for FY2019 accounts for about 43.0% of the Group's profit before tax.

FY2019 PERFORMANCE REVIEW

The global economy in FY2019 was dominated by the protracted trade war between China and the USA. This had severely affected an open economy like Singapore as its growth continues to slow to just 0.7% in 2019 (2018: 3.4%). Whilst the construction sector had expanded 2.8%, the service sector registered a slowing growth of 1.1%. Amidst the challenging landscape, the Group reported a net profit attributable to owners of the Company of S$2.3 million on revenue of S$54.5 million in FY2019, against a net profit of S$2.3 million and revenue of S$56.5 million for FY2018.

Overall revenue decreased by S$1.9 million or 3.4% from S$56.5 million in FY2018 to S$54.5 million in FY2019. This was mainly attributable to a decrease in revenue from the Engineering business of S$5.4 million, partially offset by the increase in revenue from the Training business of S$3.5 million. The Engineering segment comprises Equipment Sales, Repairs and Servicing and Projects. The increase in revenue from the Training business was due to increased student in-take for the courses under its curriculum. The decline in revenue from the Engineering business was mainly due to deferred deliveries and increased competition from new market entrants.

REJUVENATING AND INNOVATING OUR BUSINESSES

In an increasingly competitive and disruptive business landscape, we believe technology and innovation remain integral to the long term sustainability of our businesses. As such, the Group will continue to explore and evaluate the introduction of more products into the markets, including incorporating SMART technology and Internet of Things into the products and solutions we offer.

We are actively looking into our Engineering business to evaluate the possibility of horizontal and vertical supply chain integration. We envisage that Wong Fong will be one of the vendors of choice for all vehicle upper body chasis and equipment integration works for load and waste management solutions. We have recently established a 24/7 mobile servicing team to support our customers in the field. In addition, we are also working closely with companies in the artificial intelligence and robotics fields to evaluate possible integration with our existing engineering solutions.

The Training business continues to grow as the increased course curriculum attracted more students. In addition, we are also on the lookout for synergistic partners to strengthen our current talent management and deployment business segment. The management team is also actively looking out for synergistic collaboration within the hospitality segment in which we are one of the leading training providers for the Food and Beverages industry. In the long run, we should expect synergistic growth of the Training business into the hospitality and hygiene industry.

Based on the above and working closely with the relevant authorities, Wong Fong should be well-positioned to fully benefit from an economic upturn when it comes.

OUTLOOK FOR FY2020

Given the likelihood of Singapore slipping into a recession in 2020 arising from global uncertainties and the unfolding Covid-19 pandemic, we expect 2020 to be more challenging and disruptive. Global financial markets are experiencing extreme volatilities as key economies in USA, Europe, UK and Asia contemplate a lockdown to counter the fast spreading Covid-19.

Based on the above, we anticipate a further decrease in demand for new equipment, engineering and repair. We also expect decrease in demand for training services. However, with solid financial fundamentals and low gearing, the Group continues to actively lookout for synergistics collaboration and alliance.

Barring a prolonged global recession, we expect that the Group is well placed when the economic upturn arrives. Meanwhile, the Group will continue to optimise its overall capital structure, closely monitor and streamline its operations whilst actively investing in strategic alliances and most importantly, its own employees and potential future leaders.

APPRECIATION

Last but not least, we would like to thank all our shareholders for their continued confidence, our business partners and customers who have given us their unwavering support and all our employees for their hard work and dedication over the years.

TOGETHER, Wong Fong will endeavour to deliver sustainable long-term value to all its stakeholders.

Yours sincerely

Pao Kiew Tee
Independent Chairman

James Liew
Co-Founder and Group Chief Executive Officer ("**CEO**")

OPERATIONS AND FINANCIAL REVIEW

REVIEW OF INCOME STATEMENT

In FY2019, the Group's revenue decreased by S$1.9 million or 3.4% to S$54.5 million from S$56.5 million in FY2018. Contribution from the Engineering segment declined by S$5.4 million or 11.6% to S$41.0 million in FY2019 from S$46.4 million in FY2018 due to deferred deliveries and increased competition from new market entrants.

However, the Training segment garnered improved revenue of S$13.5 million in FY2019, an increase of S$3.5 million or 34.4% over the S$10.0 million the Group posted in FY2018. The healthy performance of the Training segment was achieved on the back of an increase in student in-take for the courses under its curriculum.

During the year, other operating income of the Group decreased by S$0.7 million or 49.5% to S$0.6 million from S$1.3 million in FY2018 mainly due to decrease in government grants and non-recurring income from insurance claim.

Meanwhile changes in inventories of finished goods and work-in-progress, as well as materials and consumables used and other direct costs, decreased by S$2.9 million or 8.9% to S$29.6 million in FY2019 from S$32.5 million in FY2018. This was mainly due to a decrease in purchases of equipment in line with the decrease in revenue from Equipment Sales.

Employee benefits expense remained comparable to prior year with a marginal decrease of S$0.1 million or 0.4% from S$15.2 million in FY2018 to S$15.1 million in FY2019. Depreciation and amortisation expense also increased by S$0.7 million or 32.7% to S$3.0 million in FY2019 mainly due to additional depreciation charge on right-of-use assets as a result of the adoption of SFRS(I) 16 *Leases*.

The Group's other operating expenses remained comparable to prior year with a marginal decrease of S$0.1 million or 3.0% to S$4.0 million in FY2019 from S$4.1 million in FY2018.

At the same time, due to interest expense on lease liabilities arising from the adoption of SFRS(I) 16 *Leases* and offset by a decrease imputed interest on contingent consideration payable to the founders for the acquisition of Ascendo, the Group's finance costs increased by S$0.1 million or 26.2% to S$0.5 million in FY2019 from S$0.4 million in FY2018.

In view of the above, the Group's profit after tax decreased by S$0.5 million or 17.1% to S$2.3 million in FY2019 from S$2.8 million in FY2018.

	FY2019	**FY2018**	**Change**
	S$'000	S$'000	%
Revenue	**54,537**	56,455	(3.4)
Other operating income	**663**	1,313	(49.5)
Changes in inventories of finished goods and work-in-progress, and materials and consumables used and other direct cost	**(29,598)**	(32,490)	(8.9)
Employee benefits expense	**(15,141)**	(15,201)	(0.4)
Depreciation and amortisation expense	**(3,022)**	(2,277)	32.7
Other operating expenses	**(4,015)**	(4,141)	(3.0)
Finance costs	**(521)**	(413)	26.2
Share of results of associate	**(62)**	(21)	NM
Profit before tax	**2,841**	3,225	**(11.9)**
Income tax expense	(548)	(460)	19.1
Profit for the year	**2,293**	2,765	**(17.1)**
Profit attributable to owners of the Company	**2,267**	2,260	**0.3**

REVIEW OF FINANCIAL POSITION

S$'000	As at 31 Dec 2019	As at 31 Dec 2018
Current assets	**49,704**	49,152
Non-current assets	**32,020**	25,255
Total assets	**81,724**	74,407
Current liabilities	**17,177**	16,725
Non-current liabilities	**12,154**	6,469
Total liabilities	**29,331**	23,194
Share capital	**11,351**	11,351
Accumulated profits	**38,420**	37,352
Reserves	**745**	753
Non-controlling interests	**1,877**	1,757
Total equity	**52,393**	51,213

As at 31 December 2019, the value of the total assets of the Group increased by S$7.3 million or 9.8% to S$81.7 million, while total liabilities of the Group increased by S$6.1 million or 26.5% to S$29.3 million. This is compared to S$74.4 million and S$23.2 million respectively as at 31 December 2018.

Current assets increased by S$0.5 million or 1.1% to S$49.7 million as at 31 December 2019 from S$49.2 million as at 31 December 2018 mainly attributable to an increase in cash and bank balances of S$1.2 million and inventories of S$0.7 million. This was in turn partially offset by a decrease in trade and other receivables of S$1.4 million.

The Group's non-current assets increased by S$6.8 million or 26.8% to S$32.0 million as at 31 December 2019 from S$25.2 million as at 31 December 2018. This was mainly from an increase in right-of-use assets of S$7.7 million arising from the adoption of SFRS(I) 16 *Leases* and partially offset by a decrease in property, plant and equipment of S$0.6 million and a decrease in intangible asset of S$0.3 million.

Meanwhile, current liabilities of the Group increased by S$0.5 million or 2.7% to S$17.2 million as at 31 December 2019 from S$16.7 million as at 31 December 2018. This was largely because of an increase in lease liabilities as well as income tax payable of S$1.1 million and S$0.2 million respectively, and partially offset by decrease in trade and other payables of S$0.8 million.

As at 31 December 2019, non-current liabilities increased by S$5.7 million or 87.9% to S$12.2 million from S$6.5 million as at 31 December 2018. This was attributed to lease liabilities of S$6.6 million arising from the adoption of SFRS(I) 16 *Leases* and partially offset by repayment of bank borrowings of S$0.8 million and a decrease in deferred tax liabilities of S$0.1 million.

REVIEW OF CASH FLOWS

In FY2019, the Group generated net cash from operating activities before changes in working capital of S$6.8 million. Net cash used in working capital amounted to S$0.7 million mainly due to a decrease in trade and other receivables of S$1.6 million, and partially offset by an increase in inventories of S$0.9 million and a decrease in trade and other payables of S$1.4 million. We also paid income tax of S$0.4 million. As a result, net cash generated from operating activities amounted to S$5.7 million.

Net cash used in investing activities amounted to S$1.3 million in FY2019, mainly due to purchase of property, plant and equipment of S$1.2 million, contingent consideration paid of S$0.8 million, and offset by net cash inflow on acquisition of subsidiaries of S$0.5 million and interest received of S$0.2 million.

	FY2019	FY2018
	S$'000	S$'000
Net cash flows from operating activities	5,708	2,016
Net cash flows used in investing activities	(1,270)	(1,125)
Net cash flows used in financing activities	(3,217)	(2,958)
Net increase / (decrease) in cash and cash equivalents	1,221	(2,067)
Cash and cash equivalents at beginning of the year	23,332	25,392
Effect of foreign exchange rate changes	(14)	7
Cash and cash equivalents at end of the year (1)	**24,539**	**23,332**

(1) Excludes pledged fixed deposits of S$0.6 million (FY2018: S$0.6 million)

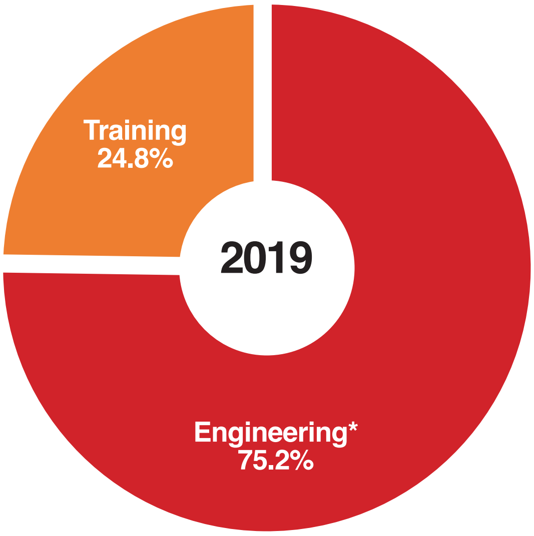
Net cash used in financing activities amounted to S$3.2 million in FY2019, mainly due to payment of dividends of S$1.2 million, repayment of bank borrowings and lease liabilities of S$1.6 million, and interest paid of S$0.4 million.

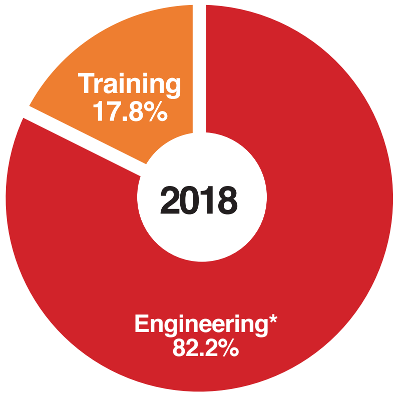
Resulting from the above, the Group's cash and cash equivalents increased by S$1.2 million to S$24.5 million in FY2019.

FINANCIAL HIGHLIGHTS

(Financial year ended 31 December)

REVENUE CONTRIBUTION BY BUSINESS (%)





*The Engineering segment comprises Equipment Sales, Repairs and Servicing, and Projects.

Revenue

S$'million	FY2019	FY2018	FY2017	FY2016	FY2015
	54.5	56.5	67.3	70.2	77.6

Net profit attributable to owners of the Company

S$'million	FY2019	FY2018	FY2017	FY2016	FY2015
	2.3	2.3	4.3	3.6	5.6


PALFINGER
PK 78002-SH

BOARD OF DIRECTORS

Date of first appointment: 28 June 2016
Date of re-election: 28 April 2017
Chairman: Audit Committee
Member: Nominating Committee and Remuneration Committee

PAO KIEW TEE

Independent Chairman

Mr Pao Kiew Tee was a senior government auditor holding the position of senior group director. He retired in July 2016 after serving the Civil Service for 37 years. Before his retirement, he supervised a group responsible for auditing the financial statements and operation audits of government ministries and statutory boards. He is currently an Independent Director of SGX-ST-listed companies, Mary Chia Holdings Limited, New Silkroutes Group Limited and Boldtek Holdings Limited.

He graduated with a Bachelor of Commerce (Accounting) degree from the University of Otago, Dunedin, New Zealand in 1974, and is a fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

Date of first appointment: 2 January 2015
Date of re-election: 28 April 2017

LIEW AH KUIE (JAMES LIEW)

Co-Founder and Group CEO

One of our founders, Mr James Liew was formerly the Deputy Chairman and Managing Director of the Group. He oversees the Group's general operations, including human resources, management and general administration, as well as strategic planning for the Group's business expansion. He has been instrumental in the Group's growth, leading the expansion of its business and operations.

Date of first appointment: 2 January 2015
Date of re-election: 27 April 2018

LIEW CHERN YEAN

Executive Director

Mr Liew Chern Yean joined the Group in 1996 and has more than 20 years of experience in the business of load handling systems, waste management systems and other engineering solutions. He oversees and manages the Group's quality control and assurance functions. He is also the Chief Technical Officer and is responsible for technology, advanced engineering and projects. Prior to joining the Group, Mr Liew was a design engineer with Hitachi Electronic Devices (Singapore) Pte. Ltd. from 1994 to 1996.

He graduated from the Nanyang Technological University with a Bachelor's Degree in Engineering (Mechanical) in 1994. In 2009, he was appointed a committee member of the National Crane Safety Task Force of the Workplace Safety and Health Council.

BOARD OF DIRECTORS

Date of first appointment: 2 January 2015
Date of re-election: 27 April 2018
Member: Audit Committee, Nominating Committee and Remuneration Committee

LEW CHERN YONG (ERIC LEW)

Non-Executive Non-Independent Director

Mr Eric Lew joined the Group in September 2003. He was appointed as Executive Director of the Group in January 2015 and in March 2019, was re-designated to Non-Executive Non-Independent Director. He is currently the Executive Chairman of Y Ventures Group Ltd., a company listed on the Catalist Board of the SGX-ST. He started his career as an audit senior with the KPMG LLP where he was involved in several external audit assignments from July 1997 to April 2000. He serves on the executive committee of the Waste Management and Recycling Association of Singapore.

He obtained a Bachelor's Degree in Accountancy with a minor in Banking and Finance from the Nanyang Technological University in 1997.

Date of first appointment: 9 May 2018
Chairman: Nominating Committee and Remuneration Committee
Member: Audit Committee

WONG CHIT CHONG

Independent Director

Mr Wong Chit Chong currently serves as Director of John Mead Dance Company Ltd. He brings with him 35 years of experience in the motor operations industry in Singapore. Prior to this, he was the Director and General Manager of Triangle Auto Pte Ltd in Singapore primarily responsible for overall management of Dah Chong Hong Trading (Singapore) Pte. Ltd. and the group's motor operations in Singapore. He joined Triangle Auto Pte Ltd. in December 1987. Mr Wong holds a Diploma in Automobile Engineering from the Institute of Motor Industry, UK, a Diploma in Mechanical Engineering from the Singapore Polytechnic, a Diploma in Management Science from Singapore Institute of Management and a Master Degree in Business Administration from Brunel University, UK. He is a member of the Society of Automotive Engineers USA. Previously, he served as the President of the Motor Traders Association of Singapore and was a past member of the Mechanical Engineering Academic Advisory Committee of the Singapore Institute of Technical Education and the Institute of Motor Industry, UK.

EXECUTIVE OFFICERS

JACK WONG
Chief Financial Officer

Mr Jack Wong joined the Group in 2015 and is responsible for providing treasury, risk management and financial leadership to the Group. Prior to this, he was the head of service, finance and administration of Palfinger Marine Pte. Ltd., ("**Palfinger**") where he was part of the management team responsible for developing and growing Palfinger's marine business in the Asia Pacific region. Between 2005 and 2009, he was seconded to Australia and China where he held the positions of General Manager and Board member of Truck Cranes Australia Pty. Ltd. and General Manager and Legal Representative of Palfinger (Shenzhen) Ltd. He commenced his career as an audit/tax associate at PricewaterhouseCoopers LLP ("**PwC**") after graduating with a Bachelor's Degree in Accountancy from the Nanyang Technological University in 1997. He left PwC as a Tax Manager in 2004. He also obtained a Master of Applied Law (Corporate/Commercial Law) from the University of Queensland (Australia) in 2009. He is a member of the Association of Chartered Certified Accountants and a Chartered Accountant of the Institute of Singapore Chartered Accountants.

CHIA KAH LAM
Operations Director

Mr Chia Kah Lam joined the Group in 1979 and is currently our Operations Director. He started his career in Wong Fong Engineering Works Company ("**Engineering Works**") in 1979 as a service fitter where he was responsible for, amongst others, performing welding work, conducting fabrication work, and assisting in assembly work. After Engineering Works' corporatisation, he took on various supervisory and managerial positions before being promoted to the position of Operations Director in 2015. He is primarily responsible for overseeing and managing the operational aspects of the Group's core business. He also works with the Group's Sales Director in formulating marketing and sale strategies, and conducting marketing activities to promote the Group's products.

LEW SIEW CHOO
Director of Group Supply Chain and Operations and Human Resource

Ms Lew Siew Choo joined the Group in 2001 and is currently our Director of Group Supply Chain and Operations and Human Resource. She is in charge of the Group's supply chain which includes supplier relationship management as well as developing and implementing policies and procedures for the Group's supply chain operations. She also oversees the Group's administrative and information technology functions. From June 1993 to December 1996, she worked as an estate officer with the Housing Development Board. From February 1997 to April 2001, she was a Finance and Administrative Executive with T.C.J. Wong Fong (Far East) Pte Ltd. She graduated from the National University of Singapore with a Bachelor's Degree in Business Administration in 1992.

EXECUTIVE OFFICERS

LIU SHANNI
Director of Group Business Development and Information Technology

Mr Liu Shanni joined the Group in 2010 and has more than 15 years of experience in the business of load handling systems. He oversees the Group's business development and information technology. Prior to joining the Group, Mr Liu was a retail executive with Telecom Equipment Pte. Ltd. from 2007 to 2009.

ALBERT LEE
Sales Director

Mr Albert Lee joined the Group in 1988 and is responsible for our sales and marketing activities including the marketing of our latest products, services and capabilities to existing and potential customers. Mr Lee joined the Group as a service and work coordinator in 1988, and subsequently took on various managerial positions, before being promoted to Sales Director in 2013. Prior to joining the Group, he was a store service coordinator with George Cohen (Far East) Pte. Ltd. from 1973 to 1988 where he was responsible for all administrative and coordination functions at the store and service departments.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- Pao Kiew Tee
  Independent Chairman
- Liew Ah Kuie (James Liew)
  Co-Founder and Group CEO
- Liew Chern Yean
  Executive Director
- Lew Chern Yong (Eric Lew)
  Non-Executive
  Non-Independent Director
- Wong Chit Chong
  Independent Director

AUDIT COMMITTEE

- Pao Kiew Tee (Chairman)
- Wong Chit Chong
- Eric Lew

NOMINATING COMMITTEE

- Wong Chit Chong (Chairman)
- Pao Kiew Tee
- Eric Lew

REMUNERATION COMMITTEE

- Wong Chit Chong (Chairman)
- Pao Kiew Tee
- Eric Lew

COMPANY SECRETARY

Yeoh Kar Choo Sharon, ACIS

SHARE REGISTRAR

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AUDITOR

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#33-00 OUE Downtown 2
Singapore 068809

Partner-in-charge:

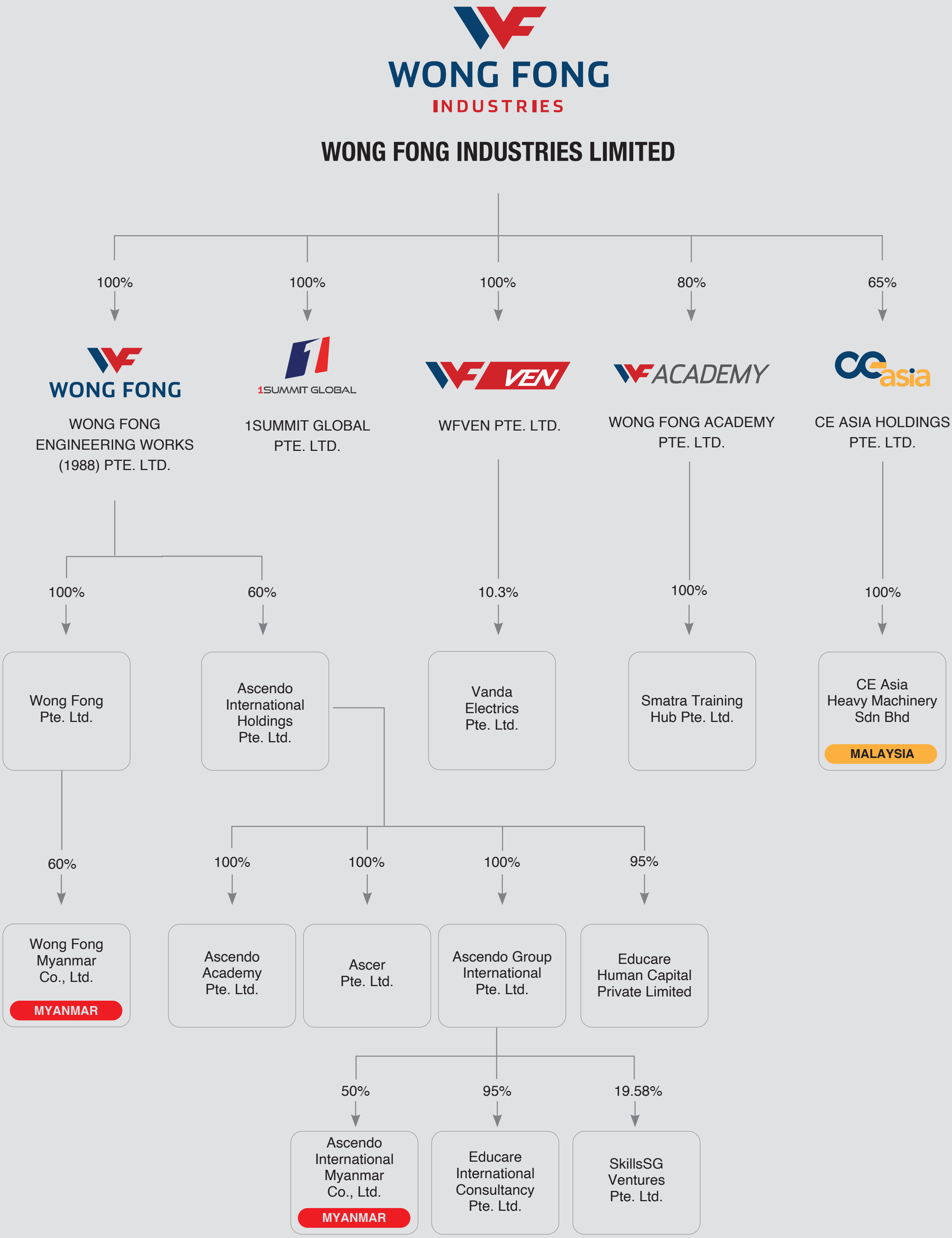
Hoe Chi-Hsien
Appointed since financial year 2016

INVESTOR RELATIONS

Wong Fong Industries Limited
investors@wongfong.com

CORPORATE STRUCTURE

(As at 16 March 2020)



All companies are incorporated in Singapore unless otherwise stated.

Malaysia

Myanmar

SUSTAINABILITY AT WONG FONG

ABOUT THE REPORT

This third sustainability report has prepared in accordance with the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**") and with reference to the Global Reporting Initiative ("**GRI**") Standards - Core option. We have chosen to report using the GRI Standards because it is an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures. Moreover, the structured framework promotes reporting a full and balanced picture of the Group's material matters and the management of its impact.

We believe that a sustainable business strategy is integral to the growth and progress of the Group. With this in mind, we embarked on our plan to align our process strategy with environmental-social objectives to build a sustainable business for our future generations. The sustainability performance data presented in this report covers the period 1 January to 31 December 2019, with FY2017 and FY2018 performance included for comparison, where possible.

To be published yearly in our annual report, our sustainability report will report on the Group's performance and strategy on material issues in relation to environmental, social and governance ("**ESG**") sustainability that are relevant to our stakeholders. Our data is reported in good faith and to the best of our knowledge.

We have not sought external assurance for this sustainability report.

BOARD STATEMENT

We are pleased to present Wong Fong's third sustainability report for FY2019, which outlines our approach to sustainability as well as our performance for the reporting period.

The Board acknowledges the need to disclose our ESG practices and performances, which is in line with the "Comply or Explain" sustainability reporting framework of the SGX-ST.

The Group is committed to create continual growth through sustainable practices and efforts. We strive to continuously improve our sustainability practices. Through regular reporting of our progress, we will review our performance to ensure our approach remains relevant, effective and sustainable.

Wong Fong acts in our shareholders' long-term interest through continuing efforts to be financially prudent whilst managing our risks (business strategy, financial, operational, compliance and information technology). We seek to continuously improve Wong Fong's performance in key sustainability areas.

Wong Fong acts in our shareholders' long-term interest through continuing efforts to be financially prudent whilst managing our risks (business strategy, financial, operational, compliance and information technology).

Wong Fong believes that sustainability issues are important to our business and they are part of our strategy formulation. In our first sustainability reporting in FY2017, we published the material ESG topics relevant to our business and stakeholders. These ESG topics remain relevant to our business and our stakeholders and we do continue to assess and monitor them accordingly.

Being a listed company on the SGX-ST, Wong Fong is committed to monitoring and managing material ESG issues as we continue to serve our customers every day.

On behalf of the Board and the management of Wong Fong, we would like to thank all our staff, partners and other stakeholders who have been with us throughout our sustainability journey. We look forward to your continued engagement, partnership and support as we continue the journey to improve our sustainability efforts for Wong Fong and its stakeholders.

SUSTAINABILITY AT WONG FONG

OUR SUSTAINABILITY FRAMEWORK

Wong Fong's sustainability vision is to support the ability to operate and grow profitably in a changing and challenging economic, technology, ecology and social environment. As a Group, Wong Fong is aware of the importance of its corporate social responsibilities.

The Sustainability Framework sets out the sustainability priorities for Wong Fong towards the future. To better integrate sustainability across Wong Fong, our approach to materiality has evolved to be in line with the GRI framework as it is a common language for sustainability reporting and multi-stakeholder consensus. We seek to engage our stakeholders (who include shareholders, employees, suppliers, customers and the management) using all available communication channels and platforms. Most of the data collected are from our main engineering subsidiary, Wong Fong Engineering Works (1988) Pte. Ltd. ("**WFE**") which accounted for approximately more than 70% of our revenue. We will extend data collection to our other subsidiaries in Malaysia and Myanmar in the near future.

Further information on our ESG which are part of sustainability, can be found on pages 20 to 32. This sustainability report is prepared for FY2019.

SENIOR MANAGEMENT ENGAGEMENT

Wong Fong's sustainability is driven by the management team which is chaired by the Co-Founder and CEO, Mr James Liew. The Sustainability Steering Committee ("**SSC**") is made up of members from our management team, comprising our Chief Financial Officer, Chief Technology Officer, Group Finance Manager, Operations Director, Sales Director and Supply Chain Director.

The SSC meets half yearly to review the performance of the key material issues. The Sustainability Working Committee ("**SWC**") reports to the SSC. The SWC comprises staff from respective departments and focuses on sustainability implementation, data collection and analysis.

SUSTAINABILITY AT WONG FONG

STAKEHOLDER ENGAGEMENT

Wong Fong believes that proactively engaging with our stakeholders' interest is critical in sustaining growth. Our stakeholders are important to Wong Fong's long-term success and sustainability. We remain deeply committed to actively engaging and fostering relationships with our key stakeholders. In FY2019, the management has performed an internal assessment of key stakeholder groups on their concerns and expectations. Here is the list of stakeholders identified by the management internally which comprise government and regulators, shareholders, employees, suppliers and customers.

Stakeholders	Key Topics of Concern	Our Response	Engagement	Frequency of Engagement
Government and Regulators	• Regulatory compliance and feedback	• To comply with rules and regulations	• Announcement of material corporate actions • Financial results announcements • Annual reports	• As and when required • Half yearly • Yearly
Shareholders	• Group's growth • Economic performance • Investment opportunities • Shareholders' return	• Increase frontline engagement for growth and returns • To engage in an active policy of communication with all shareholders	• Annual general meeting • Financial results announcements and presentations • Annual reports • Corporate website • Email and phone communication	• Yearly • Half yearly • Yearly • As and when required • As and when required
Employees	• Human resource issues • Career progression • Team building • Health and safety in the workplace • Job security • Remuneration and benefits	• Be open and transparent about our human resource policies • All employees undergo performance evaluation and the company rewards long-serving employees • Training to equip staff with the necessary knowledge and skills	• Induction programme • Team bonding session • Staff appraisal • Staff training • News via emails and notices	• As and when required • Yearly • Yearly • As and when required • As and when required

Stakeholders	Key Topics of Concern	Our Response	Engagement	Frequency of Engagement
Suppliers	• Product safety issues • Timely delivery of goods • Positive relationship management through communication	• Communicate and provide feedback regarding their services and products • Ensure that the suppliers' business complies with contract terms	• Face to face meeting • Email and calls communication • Feedback on product supplied and their quality • Partnering with new suppliers	• Ongoing • Ongoing • Ongoing • As and when required
Customers	• Service quality • Product quality and safety • Health and safety in workplace	• Improving customer satisfaction via customer surveys • Regular communication through formal and informal meetings	• Calls received via main hotline • Email correspondence • Frontline interaction at the service counters	• As and when required • As and when required • Ongoing

MATERIALITY ASSESSMENT

In FY2017, we conducted a materiality assessment and identified 9 material ESG topics that are material to the business and our stakeholders.

This year, we reviewed our material topics and concluded that the material factors are still relevant to our current business directions.

2017

Materiality Assessment

In 2017, an extensive list of ESG factors were ranked according to their importance of each relevant issue from stakeholder via questionnaire exercise.

Following that, the top 9 material topics were presented in the sustainability report.

2018

Review

In 2018, the material topics were reviewed to ensure their continued relevance. We will review the material topics again in subsequent reporting periods to ensure that material sustainability topics continue to be important and relevant to our stakeholders.

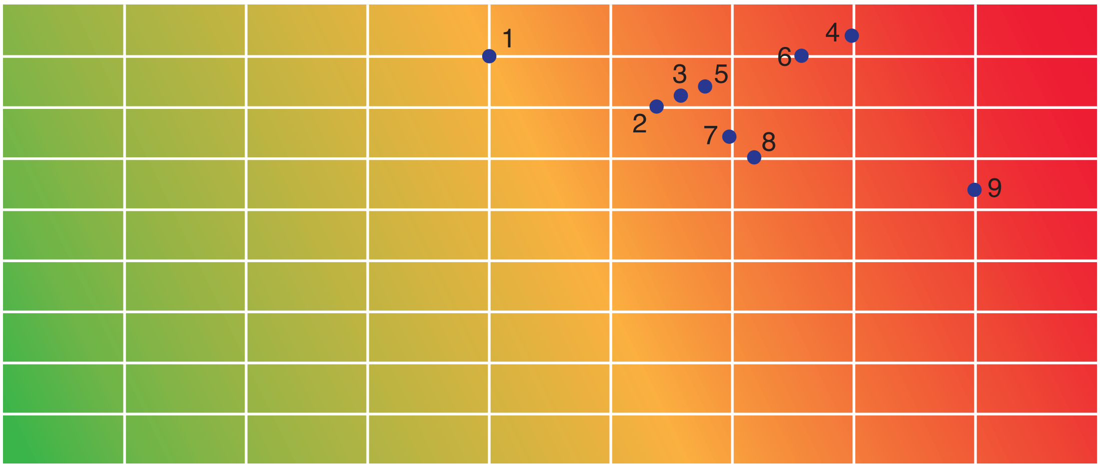
2019

Wong Fong conducted another review to ascertain that the 9 material topics remain relevant across our Group. These topics will be reviewed again in subsequent reports to confirm their importance to our business.

SUSTAINABILITY AT WONG FONG

The Group has adopted the materiality matrix approach to identify and prioritise key sustainability material topics. Questionnaire feedback was gathered from stakeholders which formed the basis for determining Wong Fong's materiality matrix. All issues will be reviewed on an ongoing basis.

MATERIAL TOPICS



1	Ethics & Integrity
2	Compliance with Regulation
3	Governance & Accountability
4	Risk Management
5	Succession Planning
6	Employees & Talent
7	Health & Safety
8	Product Safety
9	Customer Satisfaction in Services and Products Provided

SUSTAINABILITY AT WONG FONG

1. Ethics & Integrity

Ethics and Integrity is critical to building trust between our stakeholders and management. We expect all our employees to have personal and professional integrity and ethical manner. Wong Fong have many policies in place to govern the behaviour and actions taken by the employees in the Group.

Conflicts of Interest Policy	• Policy sets out to assist Directors and employees to avoid any conflicts of interest
Code of Dealing in Securities	• Guidelines to ensure best practice for buying, selling or dealing in Wong Fong securities • Guidelines on conduct in relation to dealing in securities that is prohibited under applicable laws by the Company and its subsidiaries
Code of Conduct & Anti-Corruption Policy	• Guidelines for conducting our business legally, ethically, with integrity and without fear nor favour
Whistle-Blowing Policy	• Mechanism accessible by all internal and external stakeholders to report concerns or any suspected wrongful acts
Interested Person Transaction Policy	• Guidelines to ensure all transactions with an interested person are at arm's length

All policies are made known to all relevant stakeholders during orientation process and reviewed by the Board. These policies are regularly being reviewed and updated as and when required. In FY2019, the Code of Conduct & Anti-corruption Policy was established and communicated by the human resource department to all relevant stakeholders.

Target	Performance for FY2019
Zero significant reported cases of misconduct	Achieved
Zero corruption case	Achieved
Zero whistle blowing case	1 reported case, refer to below for details

During the year, we recorded one case of whistle blowing and is reported to the Audit Committee. Investigation was carried out and appropriate remedial actions taken when required. Case has been resolved and closed.

Wong Fong does not engage in child labour or take unethical means to provide business services. Wong Fong also does not engage business partners and suppliers that are known to use unethical means in their business process.

2. Compliance with Regulation

Wong Fong has identified the main laws and regulations that materially affect our operations and the relevant regulatory bodies in Singapore, Malaysia and Myanmar. The Group has implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis. There was no incidence of non-compliance with regulations in FY2019.

3. Governance & Accountability

Wong Fong maintains a high standard of integrity, accountability and responsible governance and follows the Code of Corporate Governance 2018 and the Catalist Rules prescribed by the authorities. Wong Fong complies with internal policies and internal audit processes which includes business conduct, insider dealing, risk management and fraud. More details on Corporate Governance can be found in pages 38 to 60 in this annual report.

4. Risk Management

Business & Strategy Risks

Description of Risks	Managing of Risks
Strategy Risks	
• The Group is exposed to risks associated with its expansion plans such as mergers and acquisitions and setting up new business units. • Accordingly, the Group will not be able to provide assurance that all its future plans will be successful.	• All new business collaborations, mergers and acquisitions are discussed robustly with the Board and senior management. • Independent and legal due diligence, if applicable, are performed and presented to the Board and senior management before any deal completion.
Competition Risks	
• Wong Fong operates in a competitive environment and faces competition from new and existing competitors based in Singapore and elsewhere. • The principal competitive factors for the industry and the environment that we operate in include product quality, after-sales service, turnaround time, speed of delivery and pricing. • Our customers do not commit to definite and long-term purchase contracts for the various products and services we provide thus customers may also decide to make purchases from our competitors.	• The Group strives to maintain competitiveness through carrying a wide range of products, maintaining a high level of engineering expertise and design capabilities, value brands and high levels of customer service. • Employees are regularly sent for skills upgrading and product knowledge training. Outstanding employees are provided with scholarship and they return to serve the Group thereafter.

SUSTAINABILITY AT WONG FONG

Description of Risks	Managing of Risks
Market & Political Risks	
• The Group currently operates in 3 countries and is exposed to inherent risks in doing business overseas such as unexpected changes in legislation, regulatory requirements and government policies. • In addition, the business operations are also dependent on the economic, political, legal and other conditions in these countries. • Highly dependent on the level of activities in the infrastructure development, logistics, waste management and defence industries.	• The Group monitors key economic indicators and keeps itself updated on business affected by policy changes. • Close monitoring of the outlook of related industries in Singapore and overseas. • Diversifying its business outside Singapore and expanding its range of services (e.g. training) would mitigate country and industry risks.
Regulatory Risks	
• Our business is subject to various laws, rules and regulations in the countries that we operate in. • In addition, we require various licenses, permits and approvals to operate our business.	• The Group maintains close working relationships with the relevant statutory bodies, professionals and consultants to keep abreast with any regulatory changes. • All necessary licenses, permits and approvals are obtained and renewed on a timely basis in accordance with applicable rules and regulations.
Reputation Risks	
• The Group may face negative publicity if there is mishandling of transactions or events.	• The Group values its reputation and has put in place an open communication programme to ensure timely and effective communication of key information to its stakeholders. • Investor relations contacts are published in our corporate website to further strengthen the communication with stakeholders. • Key issues are surfaced to the management early in order to minimise the potential reputation fallout.
Business Continuity Risks	
• An organisation may face unforeseen incidents or disasters which prevent the continuation of the business operations.	• The Group seeks to mitigate the business continuity risks via country and business diversifications in order to reduce the potential impact from the fallout of any business unit. • The Group forms a Business Continuity Plan ("**BCP**") Taskforce to deal with unforeseen incidents or disasters.

Description of Risks	Managing of Risks
Foreign Labour Risks	
• Dependent on foreign labour and may face labour shortages or increased costs of labour for Singapore and overseas operations.	• The Group seeks to innovate and increase the usage of productivity methods and processes via training and equipment upgrading. • The Group intends to increase the recruitment and training of locals wherever possible.
Intellectual Property (IP) Rights Risks	
• Subject to claims for infringement of third parties' intellectual property rights or may not be able to protect intellectual property rights.	• The Group has registered, and has applied to register trademarks and patents in Singapore to ensure protection of IPs rights.
Financial Risks	
Liquidity Risks	
• The Group funds its growth and operations through a combination of shareholders' equity (including accumulated profits), net cash generated from operating activities and bank borrowings.	• The Group monitors its net operating cash flow regularly and maintains a level of cash and cash equivalents that is required to meet its daily working capital needs. • In addition, the Group manages debt financing proactively to ensure financing requirements are met as and when required. • There are existing standing arrangements with the Group's bankers to furnish credit and working capital lines when required.
Foreign Exchange Risks	
• The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the entities within the Group.	• The Group undertakes hedging transactions to minimise foreign exchange rate fluctuations. • The Group also works closely with the bank's treasury department to ensure that forex exposure is minimised. Wherever viable, the Group would adopt similar foreign currency for the buying and selling of the imported product.

Description of Risks	Managing of Risks
Credit Risks	
• Credit risk arises as there are uncertainties over the timeliness of customer's payments and their ability to meet their contractual payment obligations to the Group.	• The credit terms to customers are determined on a case-by-case basis depending on, amongst others, their credit and payment histories. • Major issues, if any, are highlighted during monthly sales and management meetings. • Outstanding receivables are monitored and followed up closely by the finance department. Delinquent accounts are flagged up for further actions.
Interest Rate Risks	
• The Group is exposed to interest rate fluctuations from bank borrowings.	• The Group's cash balances are placed with reputable banks. • For bank borrowings, the Group ensures it secures the most favourable interest rates available without increasing its foreign currency exposure. • The Group regularly reviews and, where possible, restructures, its loans to ensure that borrowing costs are minimised.
Capital Structure Risks	
• In managing capital, the Group's objective is to ensure the going concern of the Group and to maintain an optimal capital structure. • The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings.	• The Group pools its cash resources and regularly monitors its debt and equity levels and, by doing so, aims to minimise the Group's cost of capital. • In order to maintain or achieve an optimal capital structure, the Group may issue new shares, reduce external borrowings and/or adjust the dividend payment to shareholders.
Price Risks	
• Material costs may fluctuate in accordance with changes in global supply and demand. • A significant rise in the prices of materials may adversely affect the Group's profit margin.	• The Group manages its price risks by fixing its material prices upon contract confirmation and may have a price adjustment arrangement with its supplier and/or clients should there be substantial fluctuations in the prices.

Description of Risks	Managing of Risks
Cost Overruns Risks	
• Unforeseen additional costs such as price fluctuations, increase in labour costs and/or omission in estimation of internal costing may arise.	• Key project costings are reviewed and approved by senior managers and where applicable, the management team. Material costs are locked in with the respective suppliers upon contract confirmation. • Work-in-progress and labour costs are monitored on a regular basis to minimise and contain any potential cost overrun.

Operational Risks

Operational Risks	
• The Group's operations are exposed to the risk of equipment failure, risk of failure by employees to follow procedures and protocols as well as inherent risks in operating equipment and machinery, resulting in damage to or loss of any relevant machines, equipment or facilities required in a project or personal injury.	• The Group strives to minimise unexpected losses and manages losses through standard operating procedures. • The Group has been awarded ISO 9001:2008 and ISO 17020:2012 certification locally. • It has also achieved ISO 14001:2004 certification for its environmental management system to preserve natural resources and minimise wastage.
People Risks	
• The Group is dependent on key management and skilled personnel for its continual success and growth. The success and growth to-date is largely attributed to the contributions and expertise of the Executive Directors and key management personnel, all of whom have extensive experience in the Group's business and relevant industries. • Resignation and loss of the services of any Executive Directors or key management personnel without suitable and timely replacement or the inability to attract and retain qualified management personnel, may materially and adversely affect the Group's business, results of operations and prospects.	• The Group provides employees with career development opportunities and work-life balance so as to ensure that human capital are nurtured and retained. Succession plans for senior management will be reviewed regularly by the Board. • Talented employees are identified and groomed to take on managerial positions early in their career. • Outstanding employees are given fully paid overseas and local scholarships that require service of a bond upon completion.

Description of Risks	Managing of Risks
Alliance Risks	
• Distribution arrangements with major suppliers may be terminated by suppliers upon serving the requisite notice. • No assurance that the Group will be able to renew these arrangements on acceptable terms and that these arrangements may be terminated prematurely or modified to the Group's detriment for whatever reasons. • The loss of the distributorship without suitable replacement may have an adverse impact on the Group's results of operations and financial position.	• The Group maintains cordial working relationships with business partners and agrees with business partners in advance on the duties and obligations of each party. • Other than trading of the products it distributes, the Group also provides after-sales service and maintenance support to its customers, hence adding value to both the suppliers and customers.
Insurance Risks	
• The Group's existing insurance coverage may not be sufficient to indemnify against losses in all events. • The occurrence of certain incidents, including fraud, misconduct committed by employees or third parties, severe weather conditions, earthquakes, fire, war, flooding and power outages may not be covered adequately.	• The Group conducts insurance review with insurance agents on annual basis to ensure adequate and comprehensive insurance coverage.
Litigation Risks	
• The Group is exposed to the risk of litigation by customers, suppliers, employees and other persons, including the risk of joint third parties to litigation actions or involvement in frivolous claims. • The Group may incur additional costs in the event of disputes, claims, defects or delays and claims for infringement of third parties' intellectual property rights.	• All contracts and agreements are reviewed via a 4-eye principle process. • Material contracts and agreements are reviewed and approved by 2 management team members prior to signing. • The management would consult legal professionals should there be a need. • The management would purchase insurance as required by law.

Description of Risks	Managing of Risks
Delivery Risks	
• Dependent on the timely delivery of the load handling systems, waste management systems and other related engineering equipment and products distributed. • Any significant delay or disruption in the delivery of products by suppliers may result in material adverse impact on the business.	• Any significant delivery delay is usually highlighted to the supply chain in advance. Thereafter, the Group would work closely with the clients and suppliers to ensure that any potential business disruptions are minimised. If absolutely necessary, the supplier may decide to utilise airfreight or liaise with other customers globally for an equipment swap or loan.
Quality Control Risks	
• Wong Fong's projects are subject to stringent international quality codes and standards and certification for quality control.	• The Group ensures that the products sold comply with stringent quality control codes and standards prescribed by international professional bodies and industry institutions. • The Group ensures that the products it sources and their manufacturers' processes and quality control regime comply with the rigorous international standards and certifications required by customers.
Health and Safety Risks	
• Workplace hazards may cause serious injury or result in a loss of life. • Workplace hazards include moving parts of machinery, working at heights, slippery floors, electric energy, excessive noise, toxic or flammable substances, and lifting heavy objects.	• The Group has set up a Workplace, Safety & Health Committee ("**WSHC**") to control and monitor such risks, as well as communicating them to all employees. • The WSHC identifies safety and health hazards associated with work, assesses the level of risks involved, and prioritises measures to mitigate the potential hazards. • The WSHC meets regularly to control and monitor health and safety risks and ensures the risks identified are communicated to employees. Any significant health and safety risks are highlighted to the management. • Employees will be sent for health and safety re-training.

Description of Risks	Managing of Risks
Compliance Risks	
Compliance Risks	
• Wong Fong is subject to various laws, rules and regulations in the countries it operates in such as the continuing listing obligations of the SGX-ST and the Companies Act.	• The Company has implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis. • Whistle-blowing policy and annual declaration by staff on ethics had been implemented. • Other than the engagement of statutory auditors, the Group also engaged Nexia to conduct an annual review of its internal controls and reported their findings to the Audit Committee.
Information Technology Risks	
Information Technology Risks	
• Information Technology ("**IT**") risks includes hardware and software failure, spam, viruses and malicious attacks.	• The Group's IT department and its external consultants periodically conduct a review and update of the Group's IT system including the overall integrity of its data and security. Where necessary, the Group would upgrade its IT infrastructure. • It has adopted the necessary IT controls to alleviate the risks and is arranging for all relevant employees to attend IT Security Awareness Training.

5. Succession Planning

Wong Fong strives to ensure business continuity; thus, it has put in place a succession planning programme that continually grooms a pool of robust talents in the Group to be ready for its future needs and are in place to handle the change.

In FY2019, Wong Fong organised a knowledge sharing session for the younger management team. All leaders from various business units gather to discuss and share their views and ideas. This created an engagement platform for the younger management team to share their thoughts about the Group and their aspiration with the senior management. Business units leaders will meet once a month as a committee to carry on improving work processes and communications.

Talent Management

Address competency gaps, particular in mission critical position and occupations, by implementing and maintaining programs to attract, quality talent.

Succession Planning

Proactive and systematic process where organisations identify those positions considered to be at the core of the organisation and then create a strategic plan for qualified and capable employees.

6. Employees & Talent

Wong Fong recognises that people are our assets and are vital capital to achieving long-term sustainability and growth goals. As such, Wong Fong had invested a substantial amount of resources to nurture and develop our human capital. Health and well-being are top priorities within the Group.

The Committed to your Health ("**C2H**") Committee was formed in January 2016 with the belief that healthy employees would lead to a more efficient and productive organisation. In FY2019, the C2H Committee organised many fun-filled activities to engage and encourage a healthy lifestyle among Wong Fong employees. Our employees have benefitted from a range of activities throughout the year, such as:

- Nature Walks
- Zumba
- Standard Chartered Relay Run
- Bowling
- Regular lunch talks by Health professionals
- Fruits Day, Healthy Snacks Day and Health Bread Day
- Gym room to allow staff to maintain a healthy lifestyle

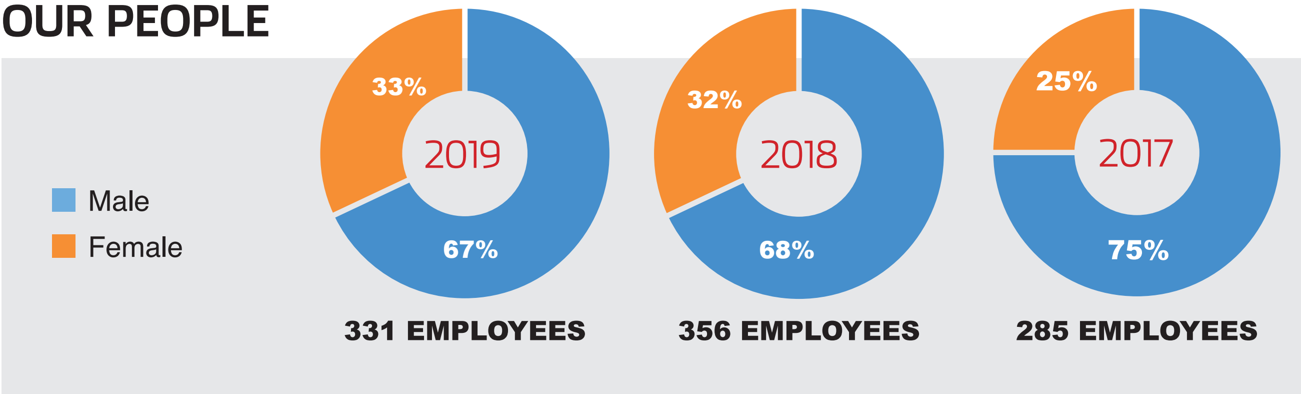
Caring for our employees also extends to their family members. Childcare bonus, capped at 2 children, is given to all staff whose child is 12 years old and below.

Wong Fong believes working hand in hand in the spirit of mutual respect is vital to the firm. To promote communications between employees, department heads are encouraged to form team bonding activities at least once per calendar year.

Wong Fong has in place a career development programme. This is to ensure that our employees are able to meet changes and its future needs. All employees in the Group are given priority whenever there is a job vacancy. Employees stand to benefit from this arrangement as it widens their exposure and skill-sets across business functions. Local and overseas scholarships are also awarded to well-deserving and outstanding employees. Upon completion, the employee returns to Wong Fong and is groomed to take on greater responsibilities.

SUSTAINABILITY AT WONG FONG

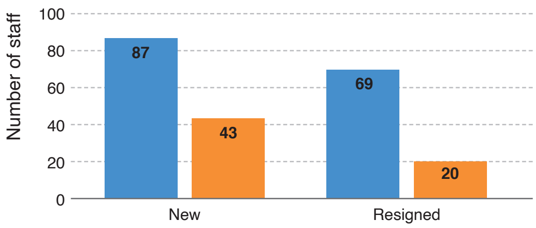
OUR PEOPLE

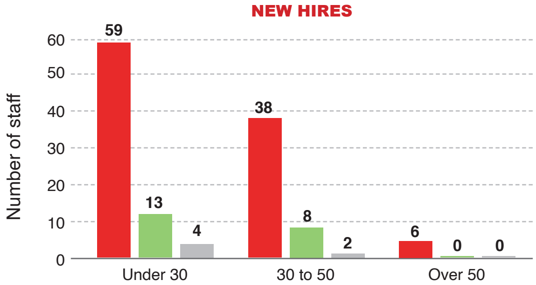


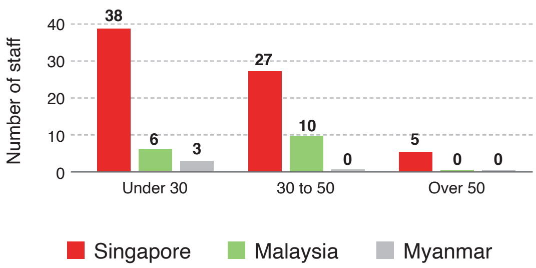
	2019			2018			2017		
	Singapore	Malaysia	Myanmar	Singapore	Malaysia	Myanmar	Singapore	Malaysia	Myanmar
Full time employees	**284**	**34**	**12**	262	27	12	247	31	7
Temporary employees	**1**	**NIL**	**NIL**	55	0	0	NIL	NIL	NIL

	2019		2018		2017	
	M	F	M	F	M	F
Full time employees	**223**	**107**	202	99	215	70
Temporary employees	**0**	**1**	39	16	NIL	NIL

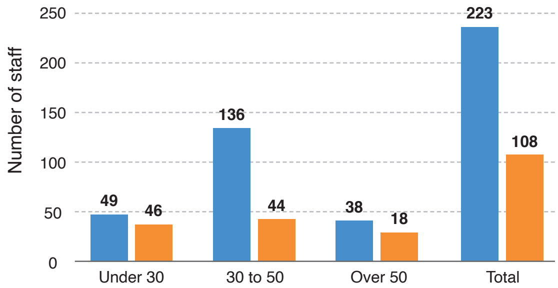
GROUP NEW HIRES AND LEAVERS FY2019







EMPLOYEES BY GENDER AND AGE GROUP FY2019



	2019	2018	2017
Total employees	331	356	285
Full time employees	330	301	285
Temporary employees	1	55	NIL
Male employees	223	241	215
Female employees	108	115	70

	2019	M	F
87%	Staff	67%	33%
8%	Managerial	64%	36%
5%	Management	75%	25%

	2018	M	F
87%	Staff	67%	33%
8%	Managerial	75%	25%
5%	Management	72%	28%

	2017	M	F
83%	Staff	76%	24%
12%	Managerial	69%	31%
5%	Management	87%	13%

All data have been complied and extracted from the payroll system by the Human Resource Department in Singapore, Malaysia and Myanmar.

7. Health & Safety

Wong Fong has always placed safety as a top priority and we continuously strive to provide a healthy, safe and functional work environment for our people. Hence, we have established the WSHC headed by a Board member, which actively seeks to adopt and inculcate the highest possible safety and health best practices throughout the workplace.

A Workplace Safety & Health Policy was established to comply with the legal requirements of the Workplace Health and Safety Act, and SGSecure guidelines.

To help all employees discharge their duties safely and securely while observing health guidelines, regular and effective communication of information is provided and adequate resources are made available to all employees.

We have also invested in training and re-training programmes on safety awareness to instil and reinforce a safety-and- security-conscious culture in our employees at all levels.

The Environmental Health Safety ("**EHS**") Committee will develop promotional programs aimed at demonstrating the Company's commitment to establish an effective safety management system that will provide and maintain a safe and healthy working environment. The EHS Committee will review the promotional program periodically to determine the types of activities and events that are to be carried out.

WFA and WFE have been certified with bizSAFE Level Star and bizSAFE Level 3 respectively by the WSH Council.

In 2019, there were 2 (2018: 4) work-related incidents at Wong Fong in Singapore. None of the incidents resulted in work stoppages. There were no fatalities in FY2019. Our Operations Managers constantly remind our staff to be careful at work. Wong Fong regularly sends its staff for workplace safety and first aid training.

Incident investigation will be established and we will implement a systematic procedure to record, investigate and analyse incidents in order to determine underlying deficiencies and other factors contributing to the occurrence of incidents. Our human resource department tracks and reports on industrial accidents to the Ministry of Manpower. Wong Fong takes all possible measures to prevent accidents, with an aim to achieve a zero-accident target.

8. Product Safety

Wong Fong's supply chain ensures a systematic approach in the control of purchases and warehousing activities, and ensures that materials, products and services supplied conform to customer's specifications and/or in-house requirements. The Group's suppliers are from both local and overseas. Wong Fong's dealerships are mainly overseas suppliers such as Palfinger, the world's leading brand for cranes, Dhollandia and Pöttinger.

Selection Criteria	Suppliers Categories/ Classification	Monitoring of Suppliers Performance
PRICE	MASTER ACTIVE	MEET DELIVERY SCHEDULE
QUALITY	PROJECT BASIS	TERMS OF PAYMENT
SERVICE	AD-HOC BASIS	RESPONSE TO INSTRUCTION/SERVICE
DELIVERY	SUB-CON	QUALITY OF GOODS
PREFER ISO CERTIFIED COMPANY	NON-TRADE DE-LIST	PRICE COMPETITIVENESS
PREFER ENVIRONMENTAL COMPLIANCE COMPANY		ENVIRONMENTAL COMPLIANCE

Wong Fong's products meet all mandatory safety standards so as to ensure all products are not hazardous to the environment and the health and safety of consumers. Wong Fong inspects and test all products specified to the product and legal requirements and the necessary controls to achieve and maintain the required standard. No products/works shall be released until all the activities specified in the Inspection & Test Plans have been satisfactorily completed and the associated records are available and authorized by the respective managers. Wong Fong also engages in a process where we understand consumer requirements in order to market quality products that consumers will buy and continue to use over a period of time. All products sold have gone through thorough inspection by third party professional engineers and the Land Transport Authority ("**LTA**") to ensure lifting equipment and vehicles are properly mounted and safe for the road. There was no incident of non-compliance with regulations in FY2019.

9. Customer Satisfaction in Services and Products Provided

Wong Fong is committed to excellence in customer service. Beside inspection by third party, all products will have joint inspection with client to ensure completed works are functional and in compliance to contract agreement.

Meeting the needs of our customers is a key aim of our business, and our strategic approach is focused on achieving high quality of customer service and addressing complaints satisfactorily. To underscore our commitment in providing services and products that impart customer satisfaction, we conduct annual customer feedback surveys. All customer feedbacks are reviewed and monitored to ensure our continual improvement in delivering quality and reliable services and products. In 2019, we received a mix of compliments and negative feedback from our customers. Where we have done well, we strive to be even better, and where we have heard otherwise, we have taken action to investigate, improve and correct the situation.

SUSTAINABILITY AT WONG FONG

MEMBERSHIP OF ASSOCIATIONS

The Group participates in various associations and business federations. A list of these is provided below:

- Singapore Vehicle Traders Association
- Singapore Chinese Chamber of Commerce & Industry
- Singapore Metal & Machinery Association
- Singapore Manufacturing Federation
- Waste Management & Recycling Association of Singapore
- Landscape Industry Association (Singapore)
- Singapore Transport Association
- Singapore Business Federation
- Singapore Cranes Association
- Environmental Management Association of Singapore
- Singapore Institution of Safety Officers
- Strategic Association of Professional Training-Consulting Organisations (SAPTCO)
- MDIS Corporate Membership

ORGANISATIONAL PROFILE

GRI Ref.	GRI Indicator	Page Reference	Report Section
GRI 102: General Disclosures			
102-1	Name of the organisation	Front Cover	Annual Report Front Cover
102-2	Activities, brands, products and services	Pages 2 to 3	Our Business
102-3	Location of headquarters	Back Cover	Annual Report Back Cover
102-4	Location of operations	Page 14	Corporate Structure
102-5	Ownership and legal form	Page 14	Corporate Structure Shareholding Statistics
102-6	Markets served	Page 8 Pages 6 to 7	Financial Highlights Operations and Financial Review
102-7	Scale of the organisation	Page 8 Pages 6 to 7 Pages 29 to 30	Financial Highlights Operations and Financial Review Sustainability Report: Employees & Talent
102-8	Information on employees and other workers	Page 30	Sustainability Report: Our People

SUSTAINABILITY AT WONG FONG

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-9	Supply chain	Page 32	Sustainability Report: Product Safety
102-10	Significant changes to the organisation and its supply chain	NA	There are no significant changes
102-11	Precautionary principle or approach	Pages 21 to 28 Pages 38 to 60	Sustainability Report: Risk Management Corporate Governance Report
102-12	External initiatives	Pages 38 to 60 Page 30	Corporate Governance Report Sustainability Report: Our People
102-13	Membership of associations	Page 33	Sustainability Report: Membership of Associations

STRATEGY

102-14	Statement from senior decision-maker	Page 15	Sustainability Report: Board Statement

ETHICS AND INTEGRITY

102-16	Values, principles, standards, and norms of behaviour	Page 20	Sustainability Report: Ethics & Integrity

GOVERNANCE

102-18	Governance structure	Page 16	Sustainability Report: Senior Management Engagement
102-20	Executive-level responsibility for economic, environmental, and social topics	Page 15	Sustainability Report: Board Statement
102-21	Consulting stakeholders on economic, environmental, and social topics	Page 15 Pages 17 to 18	Sustainability Report: Board Statement Sustainability Report: Stakeholder Engagement

SUSTAINABILITY AT WONG FONG

STAKEHOLDER ENGAGEMENT

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-40	List of stakeholder groups	Pages 17 to 18	Sustainability Report: Stakeholder Engagement
102-41	Collective bargaining agreements	NA	None of the Group's employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Pages 17 to 18	Sustainability Report: Stakeholder Engagement
102-43	Approach to stakeholder engagement	Pages 17 to 18	Sustainability Report: Stakeholder Engagement
102-44	Key topics and concerns raised	Pages 17 to 18	Sustainability Report: Stakeholder Engagement

REPORTING PRACTICE

102-45	Entities included in the consolidated financial statements	Pages 61 to 137	Annual Report: Financial Statements
102-46	Defining report content and topic boundaries	Page 15	Sustainability Report: About the Report
102-47	List of material topics	Page 19	Sustainability Report: Materiality Matrix
102-48	Restatements of information	NA	There were no restatements of information
102-49	Changes in reporting	NA	There were no changes in reporting
102-50	Reporting period	Page 16	Sustainability Report: Our Sustainability Framework
102-51	Date of most recent report	NA	12 April 2019

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-52	Reporting cycle	Page 15	Sustainability Report: About the Report
102-53	Contact point for questions regarding the report	Page 13	Annual Report
102-54	Claims of reporting in accordance with the GRI Standards	Page 15	Sustainability Report: About the Report
102-55	GRI content index	Pages 33 to 37	Sustainability Report: GRI Content Index
102-56	External assurance	Page 15	Sustainability Report: About the Report
GRI 103: Management Approach			
103-1	Explanation of material topics and its boundary	Page 15 Page 19	Sustainability Report: About the Report Sustainability: Materiality Matrix
103-2	The management approach and its components	Pages 20 to 32	Sustainability Report: • Ethics & Integrity • Compliance with Regulation • Governance & Accountability • Risk Management • Succession Planning • Employees & Talent • Health & Safety • Product Safety • Customer Satisfaction of Services and Products Provided
103-3	Evaluation of the management approach	Pages 20 to 32	Sustainability Report: • Ethics & Integrity • Compliance with Regulation • Governance & Accountability • Risk Management • Succession Planning • Employees & Talent • Health & Safety • Product Safety • Customer Satisfaction in Services and Products Provided

SUSTAINABILITY AT WONG FONG

TOPIC-SPECIFIC DISCLOSURES

GRI Ref.	GRI Indicator	Page Reference	Report Section
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Page 8	Annual Report
GRI 401: Employment			
401-1	New employee hires and employee turnover	Page 30	Sustainability Report: Our People
GRI 403: Occupational Health and Safety			
403-3	Occupational health services	Page 31	Sustainability Report: Health & Safety
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Page 30	Sustainability Report: Our People
GRI 416: Customer Health and Safety			
416-2	Incidents of non- compliance concerning the health and safety impacts of products and services	Page 32	Sustainability Report: Product Safety
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Page 21	Sustainability Report: Compliance with Regulation

CORPORATE GOVERNANCE REPORT

The Board of Wong Fong firmly believes that good corporate governance is essential to the long-term sustainability of the Company's businesses, as well as promoting and safeguarding the interest of Shareholders ("**Shareholders**") and other stakeholders.

The Group has adopted the principles and guidelines of the Code of Corporate Governance 2018 ("**Code**"). The Group has substantially complied with the principles and provisions of the Code. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations, where appropriate.

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS
Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

ROLE OF THE BOARD

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Every Director has a duty to act in good faith and exercise independent judgement in the best interests of the Company. The Directors are aware of their responsibilities to all stakeholders of the Company.

The key roles and responsibilities of the Board include:

- guiding the formulation of the strategic direction and objectives of the Group as well as operational initiatives;
- overseeing and setting the processes of internal controls (including financial, operational, compliance and information technology controls) and risk management systems and to ensure that the processes are adequate and effective;
- reviewing financial plans, major acquisitions and divestments, funding and investment proposals;
- monitoring the performance of the Company's Management ("**Management**");
- setting the Company's values and standards (including ethical standards);
- assuming responsibility for corporate governance; and
- considering environmental and social factors.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and makes objective decisions in the best interests of the Company.

BOARD COMMITTEES

To assist the Board in the discharge of its responsibilities, the Board is supported by three Board Committees, namely the Audit Committee ("**AC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**") have been constituted with clearly written terms of reference. Each of the Board Committees is chaired by an Independent Director and reports to the Board.

Each Board Committee plays an important role in ensuring sound corporate governance in the Group. Minutes of Board Committee meetings are available to all Board members and kept updated as to the proceedings and matters discussed during such meetings.

Details of other Board Committees are as set out below:

1. NC (Principle 4);

2. RC (Principle 6); and

3. AC (Principle 10).

BOARD MEETINGS

The Board meets regularly and as warranted by circumstances. The schedule of all the Board and Board Committee meetings as well as the Company's annual general meeting ("**AGM**") are planned in advance to allow Directors to plan ahead to attend such meetings, so as to maximise participation. During the Board meetings, the Directors actively participate and discuss matters requiring their attention and decisions. The Board also meets informally as and when needed to discuss business matters requiring their attention.

The Company's constitution ("**Constitution**") provides for Directors to conduct meetings by telephone, video conference or other methods of simultaneous communication.

For FY2019, the number of Board and Board Committee meetings held and the attendance of Directors at these meetings, are disclosed as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	2	2	2	2
Number of meetings attended:				
James Liew	2	2*	2*	2*
Liew Chern Yean	2	2*	2*	2*
Eric Lew	2	2	2	2
Pao Kiew Tee	2	2	2	2
Wong Chit Chong	2	2	2	2
Lee Yong Soon**	1	1	1	1
Tan Soon Liang**	1	1	1	1

* Attendance by invitation of the committee

** Retired as a Director on 29 April 2019 after the conclusion of the AGM

The Company has established guidelines governing matters that require the Board's approval. The Board approves transactions based on the delegation of authority matrix which provides clear direction to the Management on matters requiring the Board's specific approval, including:

- material acquisition and disposal of assets/investments;
- annual budget and business plan of the Group;
- capital expenditure, investment or divestment exceeding S$1.0 million;
- material financial/funding arrangements;
- issuance of shares; and
- declaration of dividends.

The delegation of authority is reviewed on a regular basis and revised accordingly when necessary.

TRAINING FOR DIRECTORS

All newly appointed Directors are given appropriate orientation and briefings by the Management on the business activities of the Group. Upon appointment, the Company conducts a comprehensive orientation programme to familiarise the new Director with his roles and responsibilities as well as the business of the Group. Such orientation programmes include the mandatory training as prescribed by the Catalist Rules for first-time Director who has no prior experience as a director of a company listed on the SGX-ST, site visits to the main operating premises of the Group and meetings with key management personnel.

The Directors are kept continually and regularly updated on the Group's businesses, new laws and regulations and industry-specific environments in which the entities of the Group operate in, through in-house training or external courses.

The Directors are also encouraged to participate in industry conferences, seminars, courses and training programmes which are relevant to their duties.

In addition, the Directors will be briefed on any updates to the regulatory and reporting requirements such as the Code and financial reporting standards by the relevant professionals.

ACCESS TO COMPLETE, ADEQUATE AND TIMELY INFORMATION

The Management is cognizant of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. Prior to any meetings, Board and Board Committees papers are disseminated to the Directors to allow them sufficient time to prepare for the items to be discussed during the meetings.

The Directors are updated regularly on the Group's developments, business, financial performance and prospects during formal and informal meetings. The Management provides the Board half-yearly financial statements, annual budgets and explanations on any material variance between the projections and actual results. Apart from the regular scheduled Board and Board Committee meetings, the Directors may meet to deliberate on matters relating to strategic developments and material transactions such as acquisitions or joint ventures. For such meetings, the Management will ensure that information such as background or explanatory materials relating to matters to be discussed, financial analysis and recommendations of the Management are provided to the Directors in advance. The Directors have separate and independent access to the Management and may request for clarifications and additional information where required. The Directors may, either individually or as a group, in the furtherance of their duties, take independent professional advice at the Company's expense.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects including interim and other price sensitive public reports, and reports to regulators (if required).

The Management provides the Board with the Group's financial information periodically and updates the Board on key business issues to enable the Board to make a balanced and informed assessment of the Group's financial performance, position and prospects.

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards (International). The Board reviews and approves the half-yearly and full year results as well as any announcements before releasing them on SGXNET. In the announcement of financial results, the Board provides detailed analysis of the Group's financial performance, position and cash flow as well as a commentary on the Group's prospects. Other price-sensitive information are also disseminated to Shareholders through announcements via SGXNET, press releases and the Company's website.

The Board reviews and takes adequate steps to ensure compliance with legislative and regulatory requirements under the Catalist Rules. For the half-yearly announcement of financial results, the Board provides a negative assurance statement to Shareholders, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board announces half and full-year financial results which present a balanced and informed assessment of the Group's performance, position and prospects, via public announcements through the SGXNET.

COMPANY SECRETARY

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company Secretary attends all Board and Board Committee meetings, prepares meeting agendas and minutes of meetings and advises the Board on governance matters and facilitates the induction and professional development of the Directors.

The Company Secretary also plays an essential role in the relationship between the Company and the Directors, including assisting the Board in discharging its obligations to Shareholders.

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

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

The Board reviews the size and composition of the Board, in ensuring effective decision making by taking into account the scope and nature of the operations of the Group.

REVIEW OF DIRECTORS' INDEPENDENCE

As at the date of the annual report, the Board[(1)] comprises:

Pao Kiew Tee (Independent Chairman)
James Liew (Co-Founder and Group CEO)
Liew Chern Yean (Executive Director)
Eric Lew (Non-Executive Non-Independent Director)
Wong Chit Chong (Independent Director)

Note:

(1) Mr Lee Yong Soon and Mr Tan Soon Liang have retired on 29 April 2019. Mr Eric Lew was re-designated from Executive Director to Non-Executive, Non-Indpendent Director in March 2019.

The Chairman is an Independent Director and the Non-Executive Directors make up a majority of the Board which complies with the relevant guidelines of the Code. As such, the NC believes that there is a strong and independent element on the Board and no individual or small group of individuals dominate the Board's decision-making.

Each Independent Director is required to complete a Director's independence checklist annually to ensure their independence based on the guidelines as set out in the Code. The NC will be responsible for determining on an annual basis, and as and when circumstances require, whether or not a Director is independent as set out in the Code, considering whether a Director has any existing business or professional relationship of a material nature with the Group, other Directors and/or substantial Shareholders.

The NC has assessed the independence of the Independent Directors and noted that none of them has relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. None of the Independent Directors is a director of the Company's subsidiaries.

None of the Independent Directors have served on the Board for more than 9 years from the date of their first appointment. The NC is responsible for the annual review on the size and composition of the Board and the Board Committees. The NC endeavours to include in the Board, members of diverse backgrounds, mix of skills, industry experience, core competencies and knowledge of the Group.

Having considered the scope and nature of the operations of the Company as well as the requirements of the business, the Board believes that for FY2019, the composition and size of the Board and the Board Committees is appropriate to ensure the effectiveness of the decision-making process.

BOARD DIVERSITY POLICY AND COMPOSITION

The Board views diversity at the Board level as an essential element for driving value in decision-making and actively seeks to maintain an appropriate balance of expertise, skills and attributes among the Directors. The Board is constantly on the lookout to achieve the necessary balance and diversity to maximise Board's effectiveness.

The NC has conducted its review of the Board and the Board Committees on the appropriate balance and diversity of skills, experience age and knowledge of the Group and was satisfied that all the Directors possess the relevant core competencies in areas such as accounting and finance, business and management experience, industry knowledge, strategic planning and customer-based experience.

The Independent Directors also actively participate in setting strategies and goals for the Company and regularly review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. In addition, the Independent Directors meet regularly and on a need-basis without the presence of the Management to discuss matters such as corporate governance initiatives, board processes, succession planning and leadership development, performance management and the remuneration of the Executive Directors and provide feedback to the Chairman and/or the Board as appropriate.

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

The Chairman and CEO of the Company are separate persons in order to maintain effective segregation of duties, ensure an appropriate balance of power and authority. The Chairman is a Non-Executive and Independent Director and also chairs the AC. The Chairman of the Board is Mr Pao Kiew Tee, while the CEO of is Mr James Liew. They are not related to each other.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Company. Mr Pao leads the Board to ensure its effectiveness on all aspects of its role. He sets the agenda for the Board meetings and ensures that adequate time is given for discussion on all agenda items and strategic issues. He also facilitates the effective contribution of the Directors and ensures effective communications with Shareholders. He takes a lead role in promoting high standards of corporate governance with support of the Directors, the Company Secretary and the Management.

The CEO bears executive responsibility for the Group's business and implements the Board's decision. Mr Liew is also responsible for the business direction and operational decisions of the Group. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power and increased accountability of the Board for independent decision-making.

For FY2019, the Board is of the view that given the current composition of the Board, there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on shared agreement without any individual exercising any significant power or influence.

BOARD MEMBERSHIP
Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NOMINATING COMMITTEE (NC)

As at the date of the annual report, the NC comprises the following Non-Executive Directors:

Wong Chit Chong (Chairman)
Pao Kiew Tee
Eric Lew

The Chairman of the NC is an Independent Director.

The quorum shall be any 3 members, including the Chairman of the NC. Any decision by the NC shall be by majority present and voting and the Chairman of the NC shall have the casting vote in the event of an equality of votes.

ROLES AND RESPONSIBILITIES OF THE NC

The key terms of reference of the NC include the following:

- reviewing and recommending the appointment of new Directors and key management personnel and re-nomination of the Directors having regard to their contribution, performance and ability to commit sufficient time, resources and attention to the affairs of the Group, and each Director's respective commitments outside the Group including his principal occupation and board representations on other companies, if any. The NC will conduct such reviews at least once a year, or more frequently as it deems fit;

- deciding whether or not a Director is able to and has been adequately carrying out his duties as a director of the Company;

- developing a process for evaluating the performance of the Board as a whole and the Board Committees, and for assessing the contribution of each Director to the effectiveness of the Board;

- reviewing the Directors' mix of skills, experience, core competencies and knowledge of the Group that the Board requires to function competently and efficiently;

- reviewing the training and professional development programs for the Board; and

- reviewing and approving any new employment of persons related to the Directors or substantial Shareholders and the proposed terms of their employment.

The key responsibilities of the NC also include the review of Board structure and composition, identifying and recommending suitable candidates to the Board, making recommendations to the Board on matters relating to appointment or re-appointment of Directors, succession planning for Directors and leadership development plans.

REVIEW OF DIRECTORS' TIME COMMITMENTS

The NC considers whether each Director is able to and has been adequately carrying out his duties as a Director, taking into consideration, *inter alia*, the Director's directorships in other listed companies and other principal commitments, the Director's contributions and any other relevant time commitments.

The Directors have demonstrated that they are able to devote sufficient time and attention to the matters of the Group with their attendance at all the Board and Board Committee meetings. They have also availed themselves to the Management as and when required. The NC and the Board, having considered the multiple board seats held by some of the Directors, their principal commitments, their attendance at the Board and Board Committee meetings, are satisfied that these Directors have been able to devote sufficient time and resources to the matters of the Group.

Based on the Directors' attendance record at the Board and Board Committee meetings and contributions outside of formal Board and Board Committee meetings, the NC and the Board is satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for FY2019.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

Currently, the Company does not engage the services of professional search firms to identify candidates for Board appointments. However, the Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialization.

The NC, in consultation with the Management and the Board as appropriate, determines the qualification, skill set, competence and expertise required or expected of a new Board member taking into account the size, structure, composition and progressive renewal of the Board.

Recommendations from the Board members, business associates, advisors, professional bodies and other industry players are reviewed by the NC. The NC will review the curriculum vitae and other particulars/information of the nominee or candidate. The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the Board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other principal commitments, and if he is independent. The evaluation process will involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches will also be conducted if necessary.

Recommendations of the NC are then put to the Board for consideration. The Board will review the recommendations and approve the appointment as appropriate. Any appointments to the Board Committees would be reviewed and approved at the same time. The appointments would be formalized by a Board resolution and the requisite announcement made on SGXNET.

RE-NOMINATION OF DIRECTORS

The Constitution provides for the retirement and re-election of Directors at every AGM. At each AGM, at least one-third of the Board shall retire from office by rotation, provided that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every 3 years. In deciding whether to recommend to the Board the re-election of a Director, the NC considers the contribution of the Director, including attendance and participation at the Board and Board Committee meetings and the time and effort accorded to the Group's business and affairs. For newly appointed Director, he will hold the office until the next AGM and shall be eligible for re-election. If the Board endorses the NC's recommendations on the re-election of Directors, the relevant Directors will stand for re-election at the forthcoming AGM. Each member of the NC shall abstain from voting on any resolutions in respect of his re-nomination and re-election.

The NC has reviewed and recommended the re-election of Mr Pao Kiew Tee and Mr Liew Ah Kuie who will be retiring as Director at the forthcoming AGM under Regulation 114 of the Constitution. Mr Pao Kiew Tee and Mr Liew Ah Kuie have offered themselves for re-election and the Board has accepted the recommendations of the NC.

None of the Directors had appointed an alternate director in FY2019.

Please refer to the table below for additional information on Director to be re-elected at the forthcoming AGM:

Key Information	Name of Director to be re-elected Pao Kiew Tee
Designation	Independent Chairman, AC Chairman, RC Member and NC Member
Date of initial appointment	28 June 2016
Date of last re-appointment	28 April 2017
Age	69
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Pao as Independent Chairman was recommended by the NC and approved by the Board, after taking into consideration Mr Pao's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive. and if so, the area of responsibility	Non-executive
Familial relationship with any director and/or substantial Shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interests (including any competing business)	Nil
Working experience and occupation(s) during the past 10 years	Senior Group Director – Auditor-General's Office (From 1979 to 2016)
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes
Academic qualifications	Bachelor of Commerce (Accounting)
Professional memberships/qualifications	• Member of the Institute of Singapore Chartered Accountants • Member of the Singapore Institute of Directors
Principal commitments	• Director of Boldtek Holdings Limited • Director of Mary Chia Holdings Limited • Director of New Silkroutes Group Limited • ZJM Motors (Singapore) Pte. Ltd.
Shareholding interest in the Company and its subsidiaries	Nil

Prior Experience as a Director of a Listed Company on the Exchange	
Any prior experience as a director of an issuer listed on the Exchange?	Yes
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	N.A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A

There are no changes to the disclosure required under items (a) to (k) to Appendix 7F of the Catalist Rules as announced on 29 March 2019.

Key Information	Name of Director to be re-elected Liew Ah Kuie
Designation	Co-Founder and Group CEO
Date of initial appointment	2 January 2015
Date of last re-appointment	28 April 2017
Age	67
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Liew as Co-Founder and Group CEO was recommended by the NC and approved by the Board, after taking into consideration Mr Liew's work experience and that he continues to be instrumental to the continued success and growth of the Group.
Whether appointment is executive. and if so, the area of responsibility	Overseas the Group's general operations, including human resources, management and general administration, as well as strategic planning for the Group's business expansion.
Familial relationship with any director and/or substantial Shareholder of the listed issuer or of any of its principal subsidiaries	Yes
Conflict of interests (including any competing business)	Nil
Working experience and occupation(s) during the past 10 years	Director of Wong Fong Engineering Works (1988) Pte. Ltd.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes

Key Information	Name of Director to be re-elected Liew Ah Kuie
Academic qualifications	Nil
Professional memberships/qualifications	Nil
Principal commitments	Co-Founder and Group CEO of Wong Fong Industries Limited
Shareholding interest in the Company and its subsidiaries	Deemed interests in the Company of 67.35%. No shareholding interest in subsidiaries.

Prior Experience as a Director of a Listed Company on the Exchange	
Any prior experience as a director of an issuer listed on the Exchange?	Yes
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	N.A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A

There are no changes to the disclosure required under items (a) to (k) to Appendix 7F of the Catalist Rules as disclosed in offer document dated 19 July 2016.

Key information regarding the Directors such as their date of first appointment, date of last re-appointment and directorships held presently and in the past 3 preceding years in other listed companies are set out on pages 10 to 11 in the annual report.

KEY MANAGEMENT SUCCESSION

In addition to succession planning of the Board, the NC reviews the succession plans for key management positions. An internal process of succession planning for the Chairman, Directors, the CEO and senior management are in place, to ensure the progressive renewal of the Board and key executives.

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

The Board has implemented a process to be carried out by the NC for the evaluation of the effectiveness of the Board annually. The NC, is tasked with proposing objective performance criteria, subject to approval of the Board, for assessing how the Board and the Board Committees have enhanced long-term Shareholders' value. The NC may also engage an external facilitator for the evaluation process. For FY2019, the NC did not engage any external facilitator for the evaluation process.

During each financial year, all Directors will complete a Board Evaluation Form and to ensure confidentiality, the forms will be submitted to the Company Secretary directly for collation and the consolidated responses were presented to the NC for review and discussion. The NC will then report to the Board on the review of the Board's performance for the year. The Board Evaluation Form takes into consideration factors such as Board size and composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/senior management and standard code of conduct of the Board members. For FY2019, the NC has reviewed the performance and effectiveness of the Board as a whole and is of the view that performance and effectiveness of the Board had been satisfactory and the Board had met its performance objectives.

The NC is of the view that at present, an evaluation of the effectiveness of the Board would suffice and would implement a process for the evaluation of individual Director at an appropriate time in future. Notwithstanding that, in the evaluation of the effectiveness of the Board, the NC has considered factors relating to individual Directors such as:

- occupation and other principal commitments of the Directors, including directorships in other listed companies;

- attendance at board meetings of those listed companies that the Directors serve as director;

- confirmations by the Directors that they are able to devote sufficient time and attention to the matters of the Group; and

- the professional experience and expertise of the Directors.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

As at the date of the annual report, the RC comprises the following Non-Executive Directors:

Wong Chit Chong (Chairman)
Pao Kiew Tee
Eric Lew

The Chairman of the RC is an Independent Director.

The quorum shall be any 3 members, including the Chairman of the RC.

The RC is guided by its written terms of reference, which clearly spells out its authority and duties. The key terms of reference of the RC includes recommending to the Board a framework of remuneration for the Directors and key management personnel, and determining specific remuneration packages for the Executive Directors and key management personnel. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by the RC. The RC reviews the Company's obligation arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC is also responsible for the administration of the Wong Fong Performance Share Plan.

The RC will also perform an annual review of the remuneration of employees related to the Directors and/or substantial Shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package or that of any employee related to him.

The RC may seek expert advice inside and/or outside the Company on remuneration of all Directors where necessary. During FY2019, the RC did not engage the service of an external remuneration consultant.

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

The RC will perform an annual review on the remuneration packages of the Board and key management personnel. The Company's remuneration structure for the Board and key management personnel comprises both fixed and variable components so as to motivate high-performing executives to drive the Group's efficiency and profitability. The variable component for the key management personnel is a discretionary bonus which is linked to the performance of the Group as a whole and their individual performance.

The remuneration framework for Directors, CEO and key management personnel is aligned with the interest of Shareholders and relevant stakeholders and appropriate to attract, retain and motivate them for long term success of the Group.

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

DISCLOSURE ON DIRECTORS' REMUNERATION

The Company has entered into separate service agreements with the Executive Directors for a period of 2 years from the date of the respective service agreement (unless otherwise terminated by either party giving not less than 6 months' notice (or such shorter period as may be mutually agreed between the parties) to the other). The Company may also at any time forthwith terminate the respective service agreements of the Executive Directors if he, *inter alia*, shall be guilty of any dishonesty, gross misconduct or wilful neglect of duty or shall commit any continued material breach of the provisions of his respective service agreement, becomes bankrupt or persistently refuses to carry out any reasonable lawful order given to him in the course of his employment or persistently fails diligently to attend to his duties hereunder. Under the terms of the service agreements, the Executive Directors do not receive directors' fees but receive a monthly basic salary and are entitled to an annual performance bonus in respect of each financial year, which is calculated based on the consolidated net profit before tax ("**Performance Bonus**"). In addition, the Executive Directors are also entitled to an annual year-end bonus based on their individual performance. The Company shall be entitled to recover from the Executive Directors the relevant portion of the Performance Bonus and any sum paid under the service agreement in the event that there is a restatement of the financial statements made to reflect the correction of a misstatement due to error or fraud during the financial year, or misconduct of the Executive Directors resulting in financial loss to the Company.

The remuneration (including salary, bonuses, contribution to Central Provident Fund ("**CPF**"), allowances and benefits-in-kind) of each of the Executive Directors and key management personnel is linked to the financial performance of the Group and the individual's performance so as to promote long-term sustainability of the Group.

The short-term incentive scheme includes salary, variable performance bonus and variable year-end bonus shall be subject to annual review by the RC and to be approved by the Board. The long-term incentive scheme would be the Wong Fong Performance Share Plan. The Executive Director shall not participate in the deliberation or vote on any matter in which he is interested.

Performance conditions such as the financial performance of the Group, leadership skills and teamwork which may from time to time be determined by the Board are used to determine the Executive Directors and the key management personnel's entitlement under the short-term and long-term incentive schemes.

For FY2019, the RC is of the view that the performance conditions were met by each of the Executive Directors and the key management personnel.

The RC also ensures that the remuneration of Non-Executive Directors is appropriate to their level of contribution. Each Non-Executive Director receives a director's fee which takes into account factors such as effort and time spent and scope of responsibilities. The fees for Non-Executive Directors are subject to Shareholders' approval at the AGM.

Remuneration of Directors

The breakdown of the total remuneration of the Directors for FY2019 is set out below:

	Directors' fees(1)	Salary(2)	Bonus	Other benefits	Total remuneration
Above S$250,000 and up to S$500,000					
James Liew	–	82%	10%	8%	100%
S$250,000 and below					
Liew Chern Yean	–	86%	9%	5%	100%
Eric Lew(3)	48%	52%	–	–	100%
Pao Kiew Tee	100%	–	–	–	100%
Lee Yong Soon(4)	100%	–	–	–	100%
Tan Soon Liang(4)	100%	–	–	–	100%
Wong Chit Chong	100%	–	–	–	100%

Notes:
(1) The Directors' fees are subject to Shareholders' approval at the AGM.
(2) The salary amount is inclusive of CPF contributions and allowance.
(3) Re-designated as Non-Executive Director in March 2019.
(4) Retired as a Director on 29 April 2019 after the conclusion of the AGM.

No compensation was paid or is to be paid in the form of share awards to the Directors in FY2019. There were no termination, retirement or post-employment benefits granted to the Directors in FY2019.

Remuneration of Key Management Personnel

The breakdown of the total remuneration of the key management personnel of the Group (who are not Directors or the CEO) for FY2019 is set out below:

	Salary[(1)]	Bonus	Other benefits	Total remuneration
S$250,000 and below				
Jack Wong	83%	13%	4%	100%
Chia Kah Lam	78%	19%	3%	100%
Lew Siew Choo	87%	12%	1%	100%
Albert Lee	86%	10%	4%	100%
Liu Shanni	85%	11%	4%	100%

Note:
(1) The salary amount is inclusive of CPF contributions and allowance.

No compensation was paid or is to be paid in the form of share awards to the key management personnel of the Group in FY2019. There were no termination, retirement or post-employment benefits granted to the key management personnel of the Group in FY2019.

The aggregate remuneration paid to the key management personnel of the Group in FY2019 was approximately S$773,000.

Remuneration of Employees who are Substantial Shareholders or are Immediate Family Members of a Director, the CEO or a substantial Shareholder

The breakdown of the total remuneration of employees who are immediate family members of a Director or the CEO or a substantial Shareholder and whose remuneration exceed S$100,000 in FY2019 is set out below:

	Remuneration for FY2019
Jean Liew[(1)]	Between S$100,001 and S$150,000
Liu Weilong[(2)]	Between S$50,001 and S$100,000
Ng Chin Yee[(3)]	Between S$50,001 and S$100,000

Notes:
(1) Ms Jean Liew is the sister of Mr James Liew, Co-Founder and Group CEO.
(2) Mr Liu Weilong is the son of Mr James Liew, Co-Founder and Group CEO.
(3) Mr Ng Chin Yee is the father-in-law of Mr Eric Lew, Non-Executive Non-Independent Director.

No compensation was paid or is to be paid in the form of share awards to employees who are substantial Shareholders or are immediate family members of a Director, the CEO or a substantial Shareholder in FY2019.

In considering the disclosure of remuneration of the Directors and the key management personnel of the Group, the Board has regarded the sensitive nature of such information in a small and medium sized enterprise environment. The Board believes that full detailed disclosure of the remuneration of each Director as recommended by the Code would be prejudicial to the Group's interest. The Board has instead presented such information in remuneration bands.

The Board is of the opinion that the disclosure in the annual report provides sufficient information on the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

Long term Incentive Plan

The Company has implemented the Wong Fong Performance Share Plan which will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Wong Fong Performance Share Plan allows for participation by the employees of the Group and the Non-Executive Directors. Controlling Shareholders or their associates who meet the above eligibility criteria are eligible to participate in the Wong Fong Performance Share Plan provided that (a) the participation of, and (b) the terms of each grant and the actual number of awards granted under the Wong Fong Performance Share Plan to controlling Shareholders or an associate of a controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person. The Wong Fong Performance Share Plan is administered by the RC. Please refer to the Company's offer document dated 19 July 2016 for further details on the Wong Fong Performance Share Plan.

Since the inception of the Wong Fong Performance Share Plan, no awards have been granted to eligible participants.

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its Shareholders.

The Board is responsible for the governance of risks and oversees the Management in the design, implementation and monitoring of internal controls and risk management systems to safeguard Shareholders' interest and the Group's assets. The Board is cognizant that no cost-effective internal controls and risk management systems will preclude all errors and irregularities. The internal controls and risk management systems are designed to manage identifiable risks and limit the Group's exposure to risk of errors and irregularities and can only provide reasonable mitigation and not absolute assurance against material misstatement or loss.

The Management is responsible for the design and implementation of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The review of the adequacy and effectiveness of such internal controls and risk management systems is under the purview of the AC. The AC carries out the review at least annually with the assistance of the external auditors, Deloitte and Touche LLP (the "**External Auditors**") and internal auditors, Nexia TS Risk Advisory Pte Ltd (the "**Internal Auditors**"). The AC reviews the audit plans and the findings of the External Auditors and the Internal Auditors and ensures measures are implemented to address those issues and internal controls weaknesses highlighted by the External Auditors and the Internal Auditors.

For FY2019, the Board and the AC have also received assurances from the Co-Founder and Group CEO and the Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective.

The Risk Management Report is found on pages 21 to 28 of the Sustainability Report.

In addition, the Board reviews and determines the Group's level of risk tolerance and risk policies, and monitoring of the internal controls and risk management systems.

The Board did not establish a separate Board risk committee as the Board is currently assisted by the AC, the Internal Auditors and the External Auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

Based on the internal control policies and procedures established and maintained by the Group, work performed by the External Auditors and the Internal Auditors and reviews performed by the AC and the Management, the Board confirms that for FY2019, the internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective. The AC concurs with the Board's comments.

The Board notes that the internal control systems established provides reasonable though not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen and mitigated against as it strives to achieve it business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

AUDIT COMMITTEE
Principle 10: The Board has an Audit Committee which discharges its duties objectively.

AUDIT COMMITTEE (AC)

As at the date of the annual report, the AC comprises the following Non-Executive Directors:

Pao Kiew Tee (Chairman)
Wong Chit Chong
Eric Lew

The Chairman of the AC is an Independent Director.

The quorum shall be any 3 members, including the Chairman of the AC.

The Board is of the view that the members of AC have sufficient managerial and professional expertise in accounting and related financial management to discharge their responsibilities.

Mr Pao Kiew Tee was formerly a senior government auditor holding the position of senior group director prior to his retirement in June 2016. Mr Pao Kiew Tee is a fellow of the Institute of Singapore Chartered Accountants. Mr Eric Lew holds a degree in accountancy from the Nanyang Technological University.

The AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The responsibilities of the AC includes:

- reviewing with the Internal Auditors and the External Auditors, the audit plans, scope of work, their evaluation of the Group's system of internal controls, audit reports, their letter(s) to the Management and the Management's responses and the results of the audits compiled by the Internal Auditors and the External Auditors, and will review at regular intervals with the Management the implementation by the Group of the internal controls recommendations made by the Internal Auditors and the External Auditors;

- reviewing and discussing with the Management and the External Auditors on the key audit matters. The key audit matters reported in FY2019 are mainly the valuation of inventories and recoverability of trade receivables, which is included in the Independent Auditor's Report for 2019. The AC reviewed the outcomes and discussed the details of the review with the Management and considered on the findings including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied. The AC was satisfied with the review process, the approach and methodology applied in the assessment of both valuation of inventories and recoverability of trade receivables. The AC also concluded that the Group's accounting treatment in the valuation of inventories and recoverability of trade receivables was appropriate;

- reviewing the periodic consolidated financial statements of the Group and results announcements focusing on, in particular, changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Catalist Rules and any other relevant statutory or regulatory requirements, concerns and issues arising from audits including any matters which the External Auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;

- reviewing and reporting to the Board, at least annually, the effectiveness and adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems and discuss issues and concerns, if any, arising from the internal audits;

- reviewing the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET; and

- reviewing the performance, independence and objectivity of the Internal Auditors and the External Auditors as well as considering their appointment or re-appointment, remuneration and terms of engagement.

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

The AC meets with the External Auditors and the Internal Auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

EXTERNAL AUDITORS

A breakdown of the fees paid to the External Auditors and other auditors of the Group for audit and non-audit services for FY2019 is as follows:

	S$'000	% of total fees
Audit services	170	89%
Non-audit services (tax compliance services)	21	11%
Total fees	191	100%

Please refer to page 131 of the annual report for breakdown of the audit and non-audit fees.

Having undertaken a review of the non-audit services provided during the year, the AC is of the view that the non-audit services provided by the External Auditors would not impair their objectivity and independence as External Auditors. The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules on the appointment of auditing firms for the Company, subsidiaries and significant associated companies. The External Auditors are registered with the Accounting and Corporate Regulatory Authority of Singapore.

INTERNAL AUDITOR

The AC oversees the Group's internal controls and risk management systems and approves the hiring, removal, evaluation and compensation of the internal auditors. The AC also reviews the adequacy and effectiveness of the internal audit function at least annually. The Company has outsourced its internal audit function to Nexia TS Risk Advisory Pte Ltd ("**Nexia**") for its Singapore and Malaysia operations.

The Company's internal audit function is independent of the external audit. Nexia is a member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The Group's engagement with Nexia stipulates that its work shall comply with the Nexia's global internal auditing standards and the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA Standards). Nexia has confirmed their independence to the AC. In view of the above, the AC is satisfied that Nexia is able to discharge its duties effectively.

The internal audit plans are reviewed and approved by the AC and the Board and Nexia plans its schedule in consultation with the Management. Nexia have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

Nexia reports their findings to the AC and the Board. The Management is responsible for ensuring that appropriate measures are implemented to address the internal controls weaknesses highlighted by Nexia.

Based on the scope of work performed by Nexia for FY2019, all material weaknesses identified have been addressed.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS
Principle 11: The company treats all Shareholders fairly and equitably in order to enable them to exercise Shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives Shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company encourages Shareholder participation, and ensures that Shareholders have the opportunity to participate effectively at general meetings.

The Company believes in providing Shareholders with sufficient information in relation to the Company or its business which would be likely to materially affect the price or value of the Company's shares, in a timely and consistent manner. The Company does not practice selective disclosure. The Board ensures that all material information including press releases are disclosed via SGXNET.

All Shareholders are informed of general meetings through notices contained in annual reports or circulars sent to them. Shareholders will be given the opportunity to participate effectively in and vote at the general meetings. The voting procedures are clearly explained to Shareholders at the general meetings of the Company before the resolutions are put to vote. The general meeting procedures allow Shareholders to raise questions relating to each resolution tabled for approval, and to participate, engage and openly communicate their views on matters relating to Wong Fong.

Shareholders are informed of Shareholders' meetings in advance through notices published in newspapers, circulars and annual reports sent to them. Shareholders are encouraged to attend the general meetings to stay informed of the Group's strategies and developments.

Separate resolutions are proposed for substantially separate issues at general meetings for approval. "Bundling" of resolutions are done only where the resolutions are interdependent and linked so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are to be voted by electronic poll, following which the detailed results showing, *inter alia*, the number of votes cast for and against each resolution and the respective percentages will be announced after the general meeting.

The Chairman and the chairpersons of the AC, the NC and the RC will be available at all general meetings to address Shareholders' queries. The External Auditors will also be present to assist the Directors in addressing Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

The Company will publish minutes of general meetings of Shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

The Constitution allows a member of the Company to appoint up to 2 proxies to attend and to vote in place of the member. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate Shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than 2 proxies to attend and vote on their behalf at general meetings.

The Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors such as the level of cash and accumulated profits, actual and projected financial performance, projected levels of capital requirements and general financing condition, restrictions on payment of dividends imposed on the Group by its financing arrangements (if any), general economic and business conditions in countries the Group operates and other relevant factors as the Board may deem appropriate.

The Board has recommended a first and final tax exempt (one-tier) dividend of 0.52 Singapore cents per ordinary share in respect of FY2019 for approval by Shareholders at the forthcoming AGM.

ENGAGEMENT WITH SHAREHOLDERS
Principle 12: The company communicates regularly with its Shareholders and facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the company.

The Company commits itself to disclose and convey pertinent information to all stakeholders. An investor relations contact is available on the Company's website which stakeholders can use to raise their concerns about possible violation of their rights. All material information is communicated to Shareholders on a timely basis and the Company disseminates all announcements and press releases via SGXNET and the Company's website at www.wongfongindustries.com.

The Group's financial results and annual reports are announced or issued within the period specified under the Catalist Rules, and are also made available to the public via the Company's website. The website is also updated regularly and contains various other investor-related information on the Company which serves as an important resource for investors.

General meetings are the principal forum for dialogue with Shareholders and Shareholders are encouraged to participate in such meetings. During these meetings, Shareholders are able to engage with the Board and the Management in discussions on the Group's business activities, financial performance and other business-related matters. As and when necessary, the Executive Directors and the Chief Financial Officer will meet analysts and fund managers who wish to seek a better understanding of the Group's business and operations. This also enables the Company to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Company on investors' views.

The Chief Financial Officer, Jack Wong, is in-charge of investor relations and he will manage communications with stakeholders to ensure that their queries and concerns are promptly addressed by the relevant management personnel.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

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

The Board adopts a balanced approach towards the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of Wong Fong are served.

The Group strives to maintain open and fair communication with its key stakeholders, to understand their views, concerns, and objectives in order to work towards more sustainable growth. The Group from time to time proactively engages with various stakeholders, including the employees, suppliers, customers, Shareholders, and regulators, to gather feedback on the sustainability matters which have significant impact to the business and operations of the Group and its stakeholders.

The Sustainability Report section of the annual report provides more details about the strategy and key areas of focus in relation to the Management of stakeholder relationships during the reporting period, including:

- Ensuring the safety, welfare and development of employees
- Delivering long-term sustainable and safety products to the customers
- Compliance with regulations

The Company maintains a current corporate website at www.wongfongindustries.com, to communicate and engage with stakeholders. In this way, the Company hopes to have good communication and engagement with all its material stakeholders.

WHISTLE BLOWING POLICY

The Company has established a whistle-blowing framework ("**Whistle Blowing Policy**"), which provides mechanisms by which concerns about plausible improprieties in matters of financial reporting and others may be raised and ensures that arrangements are in place for the independent investigations of such matters and for appropriate follow-up. Details of the Whistle Blowing Policy and arrangements have been made available to all employees of the Group and a dedicated email has been set up to allow whistle blowers to contact the AC directly.

The policy aims to ensure that appropriate reporting and communication channels are available for employees and external parties to raise concerns about possible improprieties and also offer reassurance that they will be protected from reprisals or harassment for whistle-blowing in good faith. There was 1 reported incident pertaining to whistle-blowing for FY2019. The reported case was investigated and has been fully addressed with no further action taken.

The AC is kept abreast by the Management the Company Secretary, the External Auditors and the Internal Auditors on changes to financial reporting standards, the Catalist Rules and other rules, laws and regulations which could have an impact on the Group's business and financial statements.

CODES OF DEALINGS IN SECURITIES

The Company has adopted an internal compliance code on dealings in the Company's securities, pursuant to Rule 1204(19) of the Catalist Rules, which all Directors and officers of the Group have been notified of. The Company, the Directors and the officers of the Group are prohibited from dealing in the Company's securities during the period commencing 1 month before the announcement of its half year and full year financial results. Directors and employees are also reminded to observe insider trading laws at all times, and not to deal in the Company's securities when in possession of any unpublished price-sensitive information regarding the Group. The Company issues half yearly reminders to its Directors, key management personnel and employees on the restrictions in dealings in listed securities of the Group as set out above, in compliance with the Catalist Rules.

CODE OF CONDUCT AND ANTI-CORRUPTION POLICY

The Company has a code of conduct and anti-corruption policy in place and the policy is disseminated to all employees of the Company and its subsidiaries.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transaction with an interested person within the definition set out in Chapter 9 of the Catalist Rules and has in place procedures for review and approval of all interested person transactions. In the event that a potential conflict of interest arises, the Director concerned will not participate in discussions, abstains from decision-making, and refrains from exercising any influence over other members of the Board.

The Group does not have a general mandate for interested person transactions. There were no interested person transactions in FY2019.

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and the transactions will not be prejudicial to the interest of the Group and its minority Shareholders. To ensure compliance with Chapter 9 of the Catalist Rules, the Board and the AC review, on a half-yearly basis, interested person transactions entered into by the Group (if any).

MATERIAL CONTRACTS

Save for the service agreements between the Company and the Executive Directors, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO, any Director or controlling Shareholder which is either subsisting at the end of FY2019 or, if not then subsisting, entered into since the end of FY2018.

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, United Overseas Bank Limited, in FY2019.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2019.

In the opinion of the directors, the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company as set out on pages 69 to 137 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and the financial performance, changes in equity and cash flows of Group and the changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Liew Ah Kuie
Liew Chern Yean
Lew Chern Yong (Liu Zhengrong)
Pao Kiew Tee
Wong Chit Chong

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debenture of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
Ultimate holding company				
Wong Fong Investments Pte. Ltd.				
(Ordinary shares)				
Liew Ah Kuie	450,000	450,000	–	–
Liew Chern Yean	–	–	650,000	650,000
Lew Chern Yong (Liu Zhengrong)	–	–	650,000	650,000
The Company				
Wong Fong Industries Limited				
(Ordinary shares)				
Liew Ah Kuie	–	–	158,280,000	158,280,000
Liew Chern Yean	–	–	158,280,000	158,280,000
Lew Chern Yong (Liu Zhengrong)	–	–	158,280,000	158,280,000

By virtue of Section 7 of the Singapore Companies Act, the above directors are deemed to have an interest in all the related corporations of the Company.

There have been no changes in the above directors' interests as at January 21, 2020.

4 SHARE OPTIONS AND SHARE-BASED INCENTIVE

The Company has adopted the Wong Fong Performance Share Plan (the "PSP") which was approved by the shareholders by way of written resolutions passed on June 22, 2016.

(a) The PSP are administered by the Remuneration Committee ("Committee") whose members are Wong Chit Chong (Chairman), Pao Kiew Tee and Lew Chern Yong (Liu Zhengrong).

(b) The PSP will continue to be in force at the discretion of the Committee subject to a maximum period of 10 years commencing on the date of the PSP adopted by the Company in general meeting. However, the PSP may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities that may then be required.

4 SHARE OPTIONS AND SHARE-BASED INCENTIVE (CONTINUED)

(c) The total number of new shares which may be issued or shares which may be delivered pursuant to awards granted under the PSP, when added to the total number of new shares issued and issuable in respect of all awards granted under the PSP and all shares, options, or awards granted under such share-based incentive schemes of the Company then in force, shall not exceed 15.0% of the issued capital of the Company (including treasury shares) from time to time.

(d) During the financial year, no awards and options have been granted by the Company or its subsidiary corporations.

(e) There were no shares issued during the financial year by virtue of the exercise of the options to take up unissued shares of the Company or its subsidiary corporations.

(f) There were no unissued shares of the Company or of its subsidiary corporations under options as at the end of the financial year.

5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive and all independent directors, is chaired by Mr Pao Kiew Tee, and includes Mr Lew Chern Yong (Liu Zhengrong) and Mr Wong Chit Chong. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) The audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, management letters on internal controls and management response;

(b) The Group's financial and operating results and accounting policies;

(c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;

(d) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) The interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;

(f) The co-operation and assistance given by the management to the Group's external and internal auditors; and

(g) The re-appointment of the external auditors of the Group.

5 AUDIT COMMITTEE (CONTINUED)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Liew Ah Kuie

....
Liew Chern Yean

March 31, 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wong Fong Industries Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 137.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Allowance for inventories

The Group holds significant inventories of $10.9 million carried at the lower of cost and net realisable value. These inventories account for 22% of the Group's current assets and comprises mainly cranes and other truck-mounted equipment. The determination of the net realisable value of inventories is dependent upon management's assessment of inventory obsolescence.

This assessment involves the exercise of significant judgement in determining the level of allowance for inventory obsolescence required by taking into account where relevant, the age, condition, type and use of the inventory items, past sales history, expected selling prices and the demand for these equipment.

The Group's disclosure on inventories is set out in Note 8 to the financial statements.

Our audit performed and responses thereon

We performed procedures to understand management's process over the monitoring and review of inventory obsolescence and the policy in place to determine the level of allowance required.

We discussed with management and evaluated the appropriateness of the Group's policy and basis used in the assessment of allowance for inventories, and recalculated the allowance recorded, including testing the accuracy of the aging data used on a sample basis.

We also assessed the reasonableness of the level of allowance recorded by comparing to recently transacted prices or prices of past sales of similar cranes or equipment. We performed sensitivity analysis on the estimated selling prices and also assessed the adequacy of disclosures made by management in respect of allowance for inventories.

Impairment of trade receivables

As at December 31, 2019, the Group has trade receivables of $12.3 million, representing 25% of the Group's current assets. The Group determines the expected credit loss ("ECL") of trade receivables by using a provision matrix that is based on its historical credit loss experience, debtors' ability to pay and any relevant forward-looking information that may be specific to the debtors and economic environment. This assessment requires significant assumptions and estimates. Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.

The Group's disclosure on trade receivables is set out in Note 7 to the financial statements.

Our audit performed and responses thereon

We performed procedures to understand management's process over the monitoring of trade receivables and the assessment of loss allowance.

We assessed the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates and reviewed data and information used by management in the ECL model, including testing the accuracy of the data used on a sample basis.

We also evaluated management's assessment of the recoverability of the Group's past due significant trade receivables as at the reporting date, including the assessment of any debtor in default when there is evidence indicating the debtor is credit-impaired. We enquired with management on the reasons for the delay in payments and the appropriateness of any loss allowance to be made, by considering amongst other factors such as, subsequent cash receipts, past payment history or the ongoing business relationship with the debtors involved.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Hoe Chi-Hsien.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2020

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Current assets					
Cash and bank balances	6	**25,178**	23,958	**12,818**	15,310
Trade and other receivables	7	**13,620**	14,962	**548**	58
Inventories	8	**10,906**	10,232	**–**	–
Total current assets		**49,704**	49,152	**13,366**	15,368
Non-current assets					
Property, plant and equipment	9	**19,129**	19,703	**3**	–
Right-of-use assets	10	**7,687**	–	**–**	–
Intangible assets	11	**5,147**	5,433	**–**	–
Investment in subsidiaries	12	**–**	–	**3,564**	3,564
Investment in associate	13(a)	**57**	119	**–**	–
Investment in joint venture	13(b)	**–**	–	**–**	–
Financial asset at fair value through profit or loss	13(c)	**–**	–	**–**	–
Total non-current assets		**32,020**	25,255	**3,567**	3,564
Total assets		**81,724**	74,407	**16,933**	18,932
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	14	**14,463**	15,317	**314**	371
Lease liabilities	15	**1,181**	114	**–**	–
Bank borrowings	16	**830**	828	**–**	–
Derivative financial instruments	17	**5**	1	**–**	–
Income tax payable		**698**	465	**–**	–
Total current liabilities		**17,177**	16,725	**314**	371
Non-current liabilities					
Other payables	14	**131**	141	**–**	–
Deferred tax liabilities	18	**1,689**	1,768	**–**	–
Lease liabilities	15	**6,716**	111	**–**	–
Bank borrowings	16	**3,618**	4,449	**–**	–
Total non-current liabilities		**12,154**	6,469	**–**	–
CAPITAL AND RESERVES					
Share capital	19	**11,351**	11,351	**11,351**	11,351
Accumulated profits		**38,420**	37,352	**4,680**	6,622
Reserves	20	**745**	753	**588**	588
Equity attributable to owners of the Company		**50,516**	49,456	**16,619**	18,561
Non-controlling interests		**1,877**	1,757	**–**	–
Total equity		**52,393**	51,213	**16,619**	18,561
Total equity and liabilities		**81,724**	74,407	**16,933**	18,932

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	21	**54,537**	56,455
Other operating income	22	**663**	1,313
Changes in inventories of finished goods and work-in-progress		**749**	(727)
Materials and consumables used and other direct costs		**(30,347)**	(31,763)
Employee benefits expense		**(15,141)**	(15,201)
Depreciation and amortisation expense		**(3,022)**	(2,277)
Other operating expenses	23	**(4,015)**	(4,141)
Share of results of associate	13(a)	**(62)**	(21)
Finance costs	24	**(521)**	(413)
Profit before tax		**2,841**	3,225
Income tax expense	25	**(548)**	(460)
Profit for the year	26	**2,293**	2,765
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign operations		**(6)**	(19)
Other comprehensive loss for the year, net of tax		**(6)**	(19)
Total comprehensive income for the year		**2,287**	2,746
Profit attributable to:			
Owners of the Company		**2,267**	2,260
Non-controlling interests		**26**	505
		2,293	2,765
Total comprehensive income attributable to:			
Owners of the Company		**2,259**	2,248
Non-controlling interests		**28**	498
		2,287	2,746
Basic and diluted earnings per share (cents)	31	**0.96**	0.96

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2019

Group	Note	Share capital $'000	Accumulated profits $'000	Reserves $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance as at January 1, 2018		11,351	35,938	740	48,029	1,504	49,533
Transactions with owners, recognised directly in equity:							
Effects of acquiring part of non-controlling interest in subsidiaries	20	–	–	25	25	(25)	*
Dividends paid to owners of the Company	27	–	(846)	–	(846)	–	(846)
Dividends paid to non-controlling interests		–	–	–	–	(220)	(220)
Total		–	(846)	25	(821)	(245)	(1,066)
Total comprehensive income for the year:							
Profit for the year		–	2,260	–	2,260	505	2,765
Other comprehensive loss for the year		–	–	(12)	(12)	(7)	(19)
Total		–	2,260	(12)	2,248	498	2,746
Balance as at December 31, 2018		11,351	37,352	753	49,456	1,757	51,213
Balance as at January 1, 2019		11,351	37,352	753	49,456	1,757	51,213
Transactions with owners, recognised directly in equity:							
Contribution by non-controlling interest		–	–	–	–	55	55
Non-controlling interest arising from acquisition of subsidiaries	32	–	–	–	–	37	37
Dividends paid to owners of the Company	27	–	(1,199)	–	(1,199)	–	(1,199)
Total		–	(1,199)	–	(1,199)	92	(1,107)
Total comprehensive income for the year:							
Profit for the year		–	2,267	–	2,267	26	2,293
Other comprehensive loss for the year		–	–	(8)	(8)	2	(6)
Total		–	2,267	(8)	2,259	28	2,287
Balance as at December 31, 2019		11,351	38,420	745	50,516	1,877	52,393

* Denotes less than $1,000.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

Company	Note	Share capital $'000	Accumulated profits $'000	Reserves $'000	Total $'000
Balance as at January 1, 2018		11,351	6,364	588	18,303
Transaction with owners, recognised directly in equity:					
Dividends paid	27	–	(846)	–	(846)
Profit for the year, representing total comprehensive income for the year		–	1,104	–	1,104
Balance as at December 31, 2018		11,351	6,622	588	18,561
Transaction with owners, recognised directly in equity:					
Dividends paid	27	–	(1,199)	–	(1,199)
Loss for the year, representing total comprehensive loss for the year		–	(743)	–	(743)
Balance as at December 31, 2019		11,351	4,680	588	16,619

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	Group	
	2019 $'000	2018 $'000
Operating activities		
Profit before taxation	**2,841**	3,225
Adjustments for:		
Interest income	**(173)**	(127)
Depreciation of property, plant and equipment	**1,799**	1,861
Depreciation of right-of-use assets	**806**	–
Property, plant and equipment written off	**34**	1
Allowance for doubtful debts and bad debts written off	**352**	486
Gain on disposal of property, plant and equipment	**(23)**	(56)
Gain on disposal of intangible assets	**–**	(18)
Impairment of goodwill	**–**	1
Interest expense	**467**	365
Intangible assets written off	**–**	3
Fair value changes on derivative financial instruments	**4**	1
Allowance for inventories and inventories written off	**222**	55
Amortisation of intangible assets	**417**	416
Share of results of associate	**62**	21
Operating cash flows before movements in working capital	**6,808**	6,234
Inventories	**(893)**	719
Trade and other receivables	**1,563**	(4,651)
Trade and other payables (Note A)	**(1,376)**	278
Cash generated from operations	**6,102**	2,580
Income tax paid	**(394)**	(564)
Net cash from operating activities	**5,708**	2,016
Investing activities		
Interest received	**173**	127
Proceeds from disposal of property, plant and equipment	**47**	261
Proceeds from disposal of intangible assets	**–**	34
Purchase of intangible assets	**–**	(17)
Purchase of property, plant and equipment (Note A)	**(1,201)**	(612)
Investment in associate	**–**	(140)
Net cash inflow from acquisition of subsidiaries (Note 32)	**511**	22
Payment of contingent consideration	**(800)**	(800)
Net cash used in investing activities	**(1,270)**	(1,125)
Financing activities		
Contribution by non-controlling interest	**55**	–
Dividends paid	**(1,199)**	(1,066)
Increase in pledged fixed deposits	**(13)**	(426)
Interest paid	**(412)**	(194)
Repayment of bank borrowings	**(827)**	(983)
Repayment of lease liabilities	**(821)**	(289)
Net cash used in financing activities	**(3,217)**	(2,958)
Net increase (decrease) in cash and cash equivalents	**1,221**	(2,067)
Cash and cash equivalents at beginning of the year	**23,332**	25,392
Effect of foreign exchange rate changes	**(14)**	7
Cash and cash equivalents at end of the year (Note 6)	**24,539**	23,332

Note A

Included in trade and other payables is an amount of $83,000 (2018: $1,000) relating to the acquisition of property, plant and equipment ("PPE").

During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,284,000 (2018: $630,000), of which $Nil (2018: $17,000) was acquired under finance leases, $1,201,000 (2018: $612,000) was paid in cash and $83,000 (2018: $1,000) remains unpaid at the end of the reporting period and is recorded as other payables.

See accompanying notes to financial statements.

1 GENERAL

WONG FONG INDUSTRIES LIMITED (the "Company") (Registration No. 201500186D) is incorporated in Singapore with its principal place of business and registered office at 79 Joo Koon Circle, Singapore 629107. The Company is listed on the Catalist board of Singapore Exchange Securities Trading Limited ("SGX-ST"). The consolidated financial statements are expressed in Singapore dollars. During the year, presentation of the financial statements has been changed to be in thousands.

The principal activity of the Company is that of investment holding, and business and management consultancy services.

The Company is a subsidiary of Wong Fong Investments Pte. Ltd., a company incorporated in Singapore, which is also the ultimate holding company.

The principal activities of the subsidiaries, an associate and a joint venture are disclosed in Notes 12, 13(a) and 13(b) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2019 were authorised for issue by the Board of Directors on March 31, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is January 1, 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Applying SFRS(I) 16, for all leases, the Group:

(a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii);

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(c) Separates the total amount of cash paid into a principal portion and interest (both presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from January 1, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 3.4%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019 **$'000**
Operating lease commitments at December 31, 2018	7,451
Less: Short-term leases and leases of low value assets	(15)
Less: Effect of discounting the above amounts	(2,300)
Add: Finance lease liabilities recognised under SFRS (1) 1-17 at December 31, 2018	225
Add: Present value of the variable lease payments that depend on a rate or index	132
Add: Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	732
Lease liabilities recognised at January 1, 2019	6,225

Right-of-use assets were measured at the amount equal to the lease liability. Consequently, right-of-use assets of $6,000,000 were recognised on January 1, 2019.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investment in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income is recognised in profit or loss using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 4(c)(v).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating expenses” line item; and

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating expenses” line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the forecast economic information that relate to the construction industry and hospitality business of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors when assessed to be relevant.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified subsidiary will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the debtor;

b) a breach of contract, such as a default or past due event; or

c) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the subsidiary in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the subsidiary or any other party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Amounts due from subsidiaries companies, associate and related party are assessed for expected credit losses on an individual basis);

- Past-due status; and

- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Group recognises an impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities. Fair value is determined in the manner described in Note 4(c)(v).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 17.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES (Before January 1, 2019) – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

LEASES (From January 1, 2019)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee which is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described below.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other operating expenses’ in the statement of profit or loss.

INVENTORIES – Inventories comprises of equipment and spare parts (collectively known as materials, work-in-progress, and goods-in-transit). Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average basis and specific identification method according to the nature of inventories. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	–	50 years or over the terms of land lease ranging from 25 to 33 years
Motor vehicles	–	5 years
Office equipment, furniture and fittings	–	3 to 10 years
Computers	–	1 to 5 years
Plant and machinery	–	10 years

Freehold land and construction-in-progress are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liability assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previous held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

ASSOCIATE AND JOINT VENTURE – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exist only when decisions above the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 1-28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – The Group recognises revenue from the following major sources:

- Equipment sales and projects – Sale of cranes and other truck-mounted equipment including customisation, engineering and installation of products and solutions for sale;
- Repairs and servicing; and
- Training.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Equipment sales and projects

Revenue is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the equipment to the customer's specific location. The normal credit term is 30 to 60 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, installation, preventive maintenance service, training).

Repairs and servicing

The Group provides repairs and servicing for all hydraulic and mechanical equipment. Revenue is recognised for these services in the accounting period in which the performance obligation is satisfied.

Training

The Group provides training courses primarily to the construction and hospitality related industries. Revenue is recognised when such courses are being conducted and the performance obligation is satisfied.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash at bank and on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Management is of the view that no critical judgement was made in the process of applying the Group's accounting policies that would have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Allowance for inventories

The Group's policy in assessing allowance for inventories is based on management's best estimate of the net realisable value of inventories that are subjected to obsolescence.

Management reviews the inventory aging listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value and takes into consideration where appropriate the age and type of such inventory items, past sales history, customers' demand, expected selling prices and condition of these inventory items. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, the Group conducts physical counts on its inventories on a periodic basis in order to determine whether any allowance is required to be made. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements.

The carrying amount of the Group's inventories and allowance for inventories recorded are disclosed in Note 8.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Calculation of loss allowance

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information, where appropriate. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amount of the Group's trade receivables and loss allowance recorded are disclosed in Note 7.

(c) Impairment assessment of investment in subsidiaries

The recoverable amount of the Company's investment in subsidiaries are reviewed at the end of each reporting period to determine whether there is any indication that the investment has suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is determined on the basis of the higher of the value in use and fair values less costs to sell to determine the extent of the impairment loss. This determination requires significant judgement and management takes into consideration among other factors, the market and economic environment in which the subsidiary operates and the financial performance of the subsidiary. Management has evaluated the recoverability of these investments based on such assessment and provided impairment loss for certain subsidiaries which were assessed to be impaired.

The carrying amount of the Company's investment in subsidiaries is disclosed in Note 12.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill and details of the impairment assessment are disclosed in Note 11.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets				
Financial assets at amortised cost	38,484	38,569	13,319	15,348
Financial liabilities				
Financial liabilities at amortised cost	13,744	14,412	308	361
Derivative financial instruments	5	1	–	–
Contingent consideration for a business combination	789	1,535	–	–
Lease liabilities	7,897	225	–	–
	22,435	16,173	308	361

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to offsetting enforceable master netting arrangements or similar agreements.

(c) Financial risk management policies and objectives

The Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. Where required, the Group uses forward exchange contracts to manage the exchange rate risks arising from trade payables and firm commitments to buy goods.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk. Significant foreign currencies include the Chinese yuan, Euro, Singapore dollar and United States dollar.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currency are as follows:

	Assets		**Liabilities**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Chinese yuan	–	–	–	386
Euro	1,651	3,382	1,744	2,625
Singapore dollar	199	4	5,288	5,046
United States dollar	181	64	33	36

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant currencies against the respective functional currencies of the entities in the Group. The sensitivity analysis below includes only significant outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the relevant foreign currencies weaken by 5% against the functional currency of each Group entity, the Group's profit before tax will increase (decrease) by:

	Group	
	2019	**2018**
	$'000	**$'000**
Chinese yuan	–	19
Euro	5	(38)
Singapore dollar	254	252
United States dollar	(7)	(1)

If the relevant foreign currencies strengthen by 5%, there would be an equal and opposite impact on the Group's profit before tax.

No sensitivity analysis is prepared at the Company level as the impact is not significant.

(ii) Interest rate risk management

The Group's primary interest rate risk relates to its bank borrowings (Note 16) which have floating rates.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when assessing interest rate risk and represents the management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before tax would decrease/increase by $22,000 (2018: $26,000).

No sensitivity analysis is prepared at the Company level as the Company does not have interest-bearing financial assets and liabilities except for cash at bank.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables: Lifetime ECL – not credit-impaired Other receivables: 12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

The table below details the credit quality of the Group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
Group						
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	13,245	(969)	12,276
Other receivables	7	Performing	12-month ECL	847	–	847
Other receivables – joint venture	7	In default	Lifetime ECL – credit-impaired	113	(113)	–
Other receivables – related party	7	In default	Lifetime ECL – credit-impaired	160	(160)	–
					(1,242)	
2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	14,660	(767)	13,893
Other receivables	7	Performing	12-month ECL	669	–	669
Other receivables – joint venture	7	In default	Lifetime ECL – credit-impaired	113	(113)	–
Other receivables – related party	7	In default	Lifetime ECL – credit-impaired	160	(114)	46
					(994)	
Company						
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	19	–	19
Other receivables	7	Performing	12-month ECL	482	–	482
2018						
Other receivables	7	Performing	12-month ECL	38	–	38

(i) The Group determines the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group is exposed to a concentration of credit risk as 19% (2018: 38%) of its total trade and other receivables are due from a single (2018: single) counterparty.

Cash is held with creditworthy financial institutions and is subject to immaterial credit loss.

(iv) Liquidity risk management

The Group maintains cash and cash equivalents and internally generated cash flows to finance their activities. The Group minimises liquidity risk by keeping committed credit lines available.

As at December 31, 2019, the Company has provided corporate guarantees to certain banks in respect of the banking facilities granted to its subsidiaries amounting to $20,683,000 (2018: $25,256,000), of which $7,514,000 (2018: $8,313,000) was utilised at the end of the reporting period.

The maximum amount that the Company could be forced to settle under the corporate guarantee contract if the full guaranteed amount is claimed by the counterparty to the guarantee is disclosed above. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the estimated future interest attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

	Weighted effective average interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustments $'000	Total $'000
Group						
2019						
Non-interest bearing	–	10,085	–	–	–	10,085
Variable interest rate instruments	3.74	980	3,106	1,041	(679)	4,448
Lease liabilities (fixed interest rate)	3.42	1,434	3,794	5,079	(2,410)	7,897
Total		12,499	6,900	6,120	(3,089)	22,430
2018						
Non-interest bearing	–	10,670	–	–	–	10,670
Variable interest rate instruments	3.41	1,007	3,763	1,368	(861)	5,277
Fixed interest rate instruments	5.69	123	116	–	(14)	225
Total		11,800	3,879	1,368	(875)	16,172
Company						
2019						
Non-interest bearing	–	308	–	–	–	308
2018						
Non-interest bearing	–	361	–	–	–	361

Non-derivative financial assets

The Group's and the Company's non-derivative financial assets as at the end of the financial year ended December 31, 2019 and 2018 are non-interest bearing and are repayable on demand or due within 1 year from the end of the reporting period, except for interest bearing fixed deposits as disclosed in Note 6.

Derivative financial instruments

The Group's derivative financial instruments comprise of foreign exchange forward contracts with contracted gross cash flows due within 1 year.

(v) Fair value of financial assets and financial liabilities

The Group's and Company's carrying value of the cash and bank balances, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial assets and financial liabilities. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and liabilities are determined.

Group								
Financial assets/ financial liabilities	Fair value as at ($'000)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2019		2018					
	Assets	Liabilities	Assets	Liabilities				
Derivative financial instruments (Note 17)								
Forward foreign exchange contract	–	(5)	–	(1)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	n.a.	n.a.
Other payables (Note 14)								
Contingent consideration	–	(789)	–	(1,535)	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 5.28% per annum	An increase in the discount rate used in isolation would result in a decrease in fair value.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year.

(d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of issued capital, reserves and accumulated profits.

The Group's overall strategy remains unchanged from the preceding year.

5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Wong Fong Investments Pte. Ltd., incorporated in Singapore which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Group's transactions and arrangements are with the holding company and related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand, unless otherwise stated.

During the year, other than as disclosed elsewhere in the financial statements, transactions with the holding company and related parties are as follows:

	Group	
	2019	2018
	$'000	$'000
Transaction with ultimate holding company		
Dividend paid	807	570
Transactions with company which certain shareholders have interest in		
Sales	(1)	(5)
Transactions with related company		
Services rendered	–	(14)
Sales	–	(29)

Compensation of directors and key management personnel

The remuneration of directors and key management during the year was as follows:

	Group	
	2019	2018
	$'000	$'000
Short-term benefits	1,427	1,895
Post-employment benefits	77	97
	1,504	1,992

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed deposits	10,680	10,647	10,000	10,000
Cash in hand	46	24	–	–
Bank balances	14,452	13,287	2,818	5,310
	25,178	23,958	12,818	15,310
Less: Pledged fixed deposits	(639)	(626)	–	–
Cash and cash equivalents per statement of cash flows	24,539	23,332	12,818	15,310

Certain fixed deposits are pledged as collaterals for certain bank facilities. The fixed deposits have maturity of one to twelve months (2018: one to twelve months) and bear interest at 1.69% (2018: 1.23%) per annum.

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables:				
– outside parties	13,245	14,660	–	–
– subsidiary companies	–	–	19	–
Loss allowance	(969)	(767)	–	–
	12,276	13,893	19	–
Accrued revenue[1]	183	3	–	–
	12,459	13,896	19	–
Other receivables:				
– outside parties	277	183	54	38
– subsidiaries	–	–	428	–
– joint venture	113	113	–	–
– related party[2]	160	160	–	–
– deposits	529	442	–	–
– prepayments	314	351	47	20
– staff loans	41	44	–	–
Loss allowance	(273)	(227)	–	–
	1,161	1,066	529	58
Total	13,620	14,962	548	58

(1) Amount relates to services performed yet to be billed to the customer.

(2) Related party refers to a company which the Group has interest in.

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2018: 30 to 60 days) credit terms. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and considering general economic conditions of the industry in which the debtors operate.

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix which is segregated by customer segments.

	Group					
	Trade receivables – days past due					
Engineering	**Not past due $'000**	**Within 90 days $'000**	**91 to 180 days $'000**	**181 to 360 days $'000**	**More than 360 days $'000**	**Total $'000**
2019						
Expected credit loss rate	0.0%	0.1%	0.5%	1.5%	18.0%	
Estimated total gross carrying amount at default	2,269	5,321	491	355	139	8,575
Lifetime ECL	(1)	(4)	(2)	(5)	(25)	(37)
						8,538
2018						
Expected credit loss rate	0.2%	0.4%	2.5%	18.0%	62.9%	
Estimated total gross carrying amount at default	1,779	8,516	1,005	459	361	12,120
Lifetime ECL	(4)	(33)	(26)	(83)	(227)	(373)
						11,747

	Group					
	Trade receivables – days past due					
Training	**Not past due $'000**	**Within 30 days $'000**	**31 to 60 days $'000**	**61 to 90 days $'000**	**More than 90 days $'000**	**Total $'000**
2019						
Expected credit loss rate	1.7%	1.7%	2.9%	3.9%	30.7%	
Estimated total gross carrying amount at default	502	588	365	307	2,908	4,670
Lifetime ECL	(9)	(9)	(10)	(12)	(892)	(932)
						3,738
2018						
Expected credit loss rate	1.5%	3.4%	8.3%	17.6%	81.2%	
Estimated total gross carrying amount at default	343	1,038	695	126	338	2,540
Lifetime ECL	(5)	(35)	(58)	(22)	(274)	(394)
						2,146

Company

Trade receivables as at December 31, 2019 are mostly not past due and the weighted credit loss rate is assessed as negligible. Accordingly, no loss allowance is recognised.

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

Group	Lifetime ECL – credit impaired $'000
Balance at January 1, 2018	409
Customers' accounts in mediation	301
Origination of new trade receivables net of those settled, as well as increase in days past due	57
Balance at December 31, 2018	767
Amounts recovered	(198)
Origination of new trade receivables net of those settled, as well as increase in days past due	400
Balance at December 31, 2019	969

Other receivables

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition, other than the amounts due from joint venture and related party.

Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

There is evidence indicating the amounts due from joint venture and related party are credit-impaired, hence the loss allowance is measured at an amount equal to lifetime ECL for these amounts.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default as well as the loss upon default.

The table below shows the movement in expected credit losses that has been recognised for other receivables:

Group	Lifetime ECL – credit impaired $'000
Balance at January 1, 2018	114
Debtor's account past due over 365 days	113
Balance at December 31, 2018	227
Debtor's account past due over 365 days	46
Balance at December 31, 2019	273

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

8 INVENTORIES

	Group	
	2019	2018
	$'000	$'000
Materials	7,276	8,030
Work-in-progress	2,772	1,986
Goods-in-transit	987	316
	11,035	10,332
Less: Allowance for inventories	(129)	(100)
	10,906	10,232

Movement in allowance for inventories:

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of the year	100	104
Charge (Credit) to profit or loss for the year	29	(5)
Exchange realignment	*	1
Balance at end of the year	129	100

* Denotes less than $1,000.

During the year, the cost of inventories recognised as an expense includes $193,000 (2018: $60,000) in respect of non-usable items written off for the Group.

9 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings[1] $'000	Buildings $'000	Construction-in-progress $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Computers $'000	Plant and machinery $'000	Total $'000
Cost:								
At January 1, 2018	1,920	20,750	236	1,834	1,400	1,722	3,771	31,633
Additions	–	–	36	142	191	222	39	630
Reclassification	–	–	(227)	–	–	227	–	–
Exchange realignment	5	–	–	(1)	(1)	–	–	3
Disposals	–	–	–	(402)	–	(21)	–	(423)
Written off	–	–	–	–	(2)	(30)	–	(32)
At December 31, 2018	1,925	20,750	45	1,573	1,588	2,120	3,810	31,811
Additions	–	–	–	194	536	285	269	1,284
Reclassification	(1,166)	1,166	(36)	–	–	36	–	–
Exchange realignment	(1)	(1)	–	–	–	–	–	(2)
Disposals	–	–	–	(178)	–	(2)	(18)	(198)
Written off	–	–	–	–	(42)	(98)	–	(140)
At December 31, 2019	758	21,915	9	1,589	2,082	2,341	4,061	32,755
Accumulated depreciation:								
At January 1, 2018	74	5,776	–	954	722	1,051	1,891	10,468
Depreciation for the year	23	707	–	286	137	407	301	1,861
Exchange realignment	–	–	–	–	(1)	–	–	(1)
Disposal	–	–	–	(167)	–	(21)	–	(188)
Written off	–	–	–	–	(3)	(29)	–	(32)
At December 31, 2018	97	6,483	–	1,073	855	1,408	2,192	12,108
Depreciation for the year	–	730	–	197	222	361	289	1,799
Reclassification	(97)	97	–	–	–	–	–	–
Exchange realignment	–	–	–	–	–	–	(1)	(1)
Disposal	–	–	–	(155)	–	(2)	(17)	(174)
Written off	–	–	–	–	(36)	(70)	–	(106)
At December 31, 2019	–	7,310	–	1,115	1,041	1,697	2,463	13,626
Carrying amount:								
At December 31, 2019	758	14,605	9	474	1,041	644	1,598	19,129
At December 31, 2018	1,828	14,267	45	500	733	712	1,618	19,703

The carrying amount of the Group's motor vehicles includes an amount of $216,000 (2018: $447,000) secured in respect of assets held under finance lease arrangement.

The Group has pledged its freehold land and buildings with a carrying amount of approximately $11,329,000 (2018: $16,095,000) to secure banking facilities granted to the Group.

(1) Includes a foreign subsidiary's freehold land of $758,000 (2018: $759,000). During the year, the cost and accumulated depreciation related to the buildings has been reclassified to the "Buildings" asset category.

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computers $'000
Company	
Cost:	
At January 1, 2018 and December 31, 2018	–
Additions	3
At December 31, 2019	3
Accumulated depreciation:	
At January 1, 2018 and December 31, 2018	–
Depreciation for the year	*
At December 31, 2019	*
Carrying amount:	
At December 31, 2019	3
At December 31, 2018	–

* Denotes less than $1,000.

10 RIGHT-OF-USE ASSETS

The Group leases lands and buildings for use as office premises and training space.

The average lease term for lands is 30 years which includes the options to extend the lease ranging from 19 to 30 years. The lease payments are subject to annual review by the lessor.

The lease terms for buildings range from 2 to 4 years which include the options to extend the lease of 2 years.

Group	Leasehold lands $'000	Buildings $'000	Total $'000
Cost:			
At January 1, 2019	4,229	1,771	6,000
Additions	–	2,493	2,493
At December 31, 2019	4,229	4,264	8,493
Accumulated depreciation:			
At January 1, 2019	–	–	–
Depreciation	159	647	806
At December 31, 2019	159	647	806
Carrying amount:			
At December 31, 2019	4,070	3,617	7,687
At January 1, 2019	4,229	1,771	6,000

The additions to right-of-use assets relate to new leases entered during the year as well as the renewal of existing leases for buildings which expired in the current financial year.

The Group entered into finance lease arrangement for motor vehicles amounting to $216,000 (2018: $447,000) which are presented within property, plant and equipment (Note 9).

11 INTANGIBLE ASSETS

Group	Goodwill $'000	Accreditation and copyright(1) $'000	Favourable leases(2) $'000	Other intangible assets(3) $'000	Total $'000
Cost:					
At January 1, 2018	1,299	4,556	59	7	5,921
Arising on acquisition of a subsidiary (Note 32)	1	–	–	–	1
Additions	–	–	–	17	17
Disposal	–	–	–	(16)	(16)
Written off	–	(3)	–	–	(3)
At December 31, 2018	1,300	4,553	59	8	5,920
Arising on acquisition of a subsidiary (Note 32)	131	–	–	–	131
At December 31, 2019	1,431	4,553	59	8	6,051
Amortisation:					
At January 1, 2018	–	62	5	3	70
Amortisation for the year	–	384	30	2	416
At December 31, 2018	–	446	35	5	486
Amortisation for the year	–	391	24	2	417
At December 31, 2019	–	837	59	7	903
Impairment:					
At January 1, 2018	–	–	–	–	–
Impairment loss recognised during the year	1	–	–	–	1
At December 31, 2018 and 2019	1	–	–	–	1
Carrying amount:					
At December 31, 2019	1,430	3,716	–	1	5,147
At December 31, 2018	1,299	4,107	24	3	5,433

(1) The accreditation pertains to the approval and status as a public training organisation under the SkillsFuture Singapore. The copyright pertains to the right to use the courseware materials for the course modules. The accreditation and copyright has finite useful life of 12 years, over which the assets are amortised.

(2) The favourable leases pertain to the rental agreements entered relating to the rental of classrooms and office space based on favourable rates, and has finite useful life of 2 years, over which the asset is amortised.

(3) The intangible asset pertains to exclusive rights to use certain intellectual property and courseware materials. These are amortised over the finite useful life of 3 years.

11 INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to Ascendo Academy Pte. Ltd. ("AAPL"), Educare Human Capital Private Limited ("EHC") and Educare International Consultancy Pte Ltd ("EIC").

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to course fees and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the business plans of the CGU taking into account the overall industry and market condition. Changes in course fees and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next ten years based on estimated growth rates ranging from 0.9% to 2.5% (2018: 4.5% to 28.7%) and extrapolates cash flows for the remaining years based on nil terminal growth.

The rate used to discount the forecast cash flows from AAPL is 10.0% (2018: 18.1%) and from EHC and EIC is 8.7%.

As at December 31, 2019, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be significantly below the carrying amounts of the CGU. No impairment loss is recorded during the year.

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2019	**2018**
	$'000	**$'000**
Equity shares at cost – unquoted	3,896	3,896
Deemed interest[1]	588	588
Less: Allowance for impairment	(920)	(920)
	3,564	3,564

(1) As part of the acquisition of 60% shareholdings in Ascendo Group in prior years, the previous owners/founders of Ascendo Group, also appointed as directors of Ascendo Group, were given 20% of the issued and paid-up share capital of Wong Fong Academy ("WFA") for a cash consideration of $2.

Management had assessed the fair value of 20% of the issued and paid-up share capital of WFA, of which the present value of the discounted cashflow was discounted at 16.12%, resulting in a deemed interest of $588,000.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Group's significant subsidiaries at December 31, 2019 are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held 2019 %	2018 %
Held by the Company				
Wong Fong Engineering Works (1988) Pte. Ltd.(1)	Trading and installation of mechanical handling equipment, truck mounted hydraulic speed loaders, and etc, fabrication work, and after sales service and repairs.	Singapore	100	100
Wong Fong Academy Pte. Ltd.(1)	Training and consultancy services.	Singapore	80	80
CE Asia Holdings Pte. Ltd.(3)	Investment holding.	Singapore	65	65
WFVEN Pte. Ltd.(3)	Investment holding.	Singapore	100	100
1Summit Global Pte Ltd (3)	Investment holding.	Singapore	100	100
Subsidiaries held by Wong Fong Engineering Works (1988) Pte. Ltd.				
Wong Fong Pte. Ltd.(3)	Investment holding.	Singapore	100	100
WFRIC HK Limited(4)	Investment holding.	Hong Kong	–	100
Ascendo International Holdings Pte. Ltd.(3)	Investment holding.	Singapore	60	60
Subsidiary held by Wong Fong Pte. Ltd.				
Wong Fong Myanmar Company Limited(6)	Distribution, rental and marketing services of heavy machinery and construction machinery including their spare parts, accessories and engineering works.	Myanmar	60	60

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held 2019 %	2018 %
Subsidiaries held by Ascendo International Holdings Pte. Ltd.				
Ascendo Academy Pte. Ltd.[(1)]	Business management, consultancy services and conducting of food hygiene courses.	Singapore	100	100
Ascer Pte. Ltd.[(1)]	Corporate training services in safety and consultancy services in risk management.	Singapore	100	100
Ascendo Group International Pte. Ltd.[(3)]	Corporate training services and motivational course provider.	Singapore	100	100
Educare Human Capital Private Limited[(5)(7)]	Provision of educational services and recruitment of personnel.	Singapore	95	–
Educare International Consultancy Pte. Ltd.[(5)(8)]	Providing quality educational and consultancy services to schools, teachers, parents and the community.	Singapore	95	–
Subsidiary held by Wong Fong Academy Pte. Ltd.				
Smatra Training Hub Pte. Ltd.[(1)]	Safety, quality consultancy, management services, training and education services.	Singapore	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2019 %	2018 %
Subsidiaries held by CE Asia Holdings Pte. Ltd.				
CE Asia Heavy Equipment Pte. Ltd.(4)	Traders of industrial, construction and related machinery and equipment.	Singapore	–	100
CE Asia Heavy Machinery Sdn. Bhd.(2)	Mechanical engineering works and installation of industry machinery and all kinds of machinery component parts.	Malaysia	100	100

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Grant Thornton MSW. In prior year, audited by an overseas practice of Deloitte Touche Tohmatsu Limited.

(3) Audited by Law Piang Woon & Co. In prior year, audited by Deloitte & Touche LLP, Singapore.

(4) Dissolved/In the process of striking off during the year.

(5) Audited by Prudential Public Accounting Corporation.

(6) Not audited for consolidation purposes as the management is of the opinion that the results of these subsidiaries for the year are not significant.

(7) On July 31, 2019, the Group acquired 503,500 ordinary shares in Educare Human Capital Private Limited, representing 95% of the issued and paid-up capital of the subsidiary.

(8) On July 31, 2019, the Group acquired 475,000 ordinary shares in Educare International Consultancy Pte Ltd, representing 95% of the issued and paid-up capital of the subsidiary.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activities	Place of incorporation and operation	Number of wholly owned subsidiaries 2019	2018
Investment holding	Singapore and Hong Kong	3	4
Trading of machinery and equipment	Singapore	1	1
		4	5

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries 2019	2018
Investment holding	Singapore	2	2
Training and consultancy services	Singapore	7	5
Trading of machinery and equipment	Singapore, Malaysia and Myanmar	2	3
		11	10

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are disclosed below:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interest	
		2019	2018	2019	2018	2019	2018
		%	%	$'000	$'000	$'000	$'000
CE Asia Holdings Pte. Ltd.	Singapore	35	35	(137)	5	(994)	(858)
Wong Fong Academy Pte. Ltd.	Singapore	20	20	190	225	399	209
Ascendo International Holdings Pte. Ltd.	Singapore	40	40	12	257	2,381	2,332
Individually immaterial subsidiaries with non-controlling interests				(39)	17	91	74
				26	504	1,877	1,757

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	CE Asia Holdings Pte. Ltd.		Wong Fong Academy Pte. Ltd.		Ascendo International Holdings Pte. Ltd.	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	2,338	2,754	2,320	1,784	4,951	3,080
Non-current assets	2,021	2,101	3,560	601	7,704	5,850
Current liabilities	(6,137)	(6,190)	(1,699)	(1,066)	(3,290)	(1,121)
Non-current liabilities	(1,060)	(1,115)	(2,137)	(225)	(2,223)	(747)
Equity attributable to owners of the Company	(1,844)	(1,592)	1,645	885	4,761	4,730
Non-controlling interests	(994)	(858)	399	209	2,381	2,332
Revenue	2,411	3,761	5,758	4,995	7,809	5,111
Expenses	(2,803)	(3,746)	(4,809)	(3,868)	(7,766)	(4,468)
Profit (Loss) for the year	(392)	15	949	1,127	43	643
Profit (Loss) attributable to owners of the Company	(255)	10	759	902	31	386
Profit (Loss) attributable to non-controlling interests	(137)	5	190	225	12	257
Profit (Loss) for the year	(392)	15	949	1,127	43	643
Other comprehensive income (loss) attributable to owners of the Company	3	(8)	–	–	–	–
Other comprehensive income (loss) attributable to non-controlling interests	1	(4)	–	–	–	–
Other comprehensive income (loss) for the year	4	(12)	–	–	–	–

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	CE Asia Holdings Pte. Ltd.		Wong Fong Academy Pte. Ltd.		Ascendo International Holdings Pte. Ltd.	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Total comprehensive income (loss) attributable to owners of the Company	(252)	2	759	902	31	386
Total comprehensive income (loss) attributable to non-controlling interests	(136)	1	190	225	12	257
Total comprehensive income (loss) for the year	(388)	3	949	1,127	43	643
Dividends paid to non-controlling interests	–	–	–	220	–	–
Net cash inflow (outflow) from operating activities	(81)	267	1,338	1,632	398	795
Net cash inflow (outflow) from investing activities	16	(12)	(451)	(1,347)	176	(313)
Net cash inflow (outflow) from financing activities	(136)	(128)	(635)	(10)	(383)	–
Net cash inflow (outflow)	(201)	127	252	275	191	482

13(a) INVESTMENT IN ASSOCIATE

	Group	
	2019 $'000	2018 $'000
Cost of investment in associate	140	140
Share of post-acquisition loss, net of dividends received	(83)	(21)
	57	119

The details of associate company are as follows:

Name of associate	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activities
		2019 %	2018 %	
SkillsSG Ventures Pte Ltd[(1)]	Singapore	19.5	19.7	International training provider from Singapore for skills development and competency based training programmes.

The associate is accounted for using the equity method in the consolidated financial statements.

13(a) INVESTMENT IN ASSOCIATE (CONTINUED)

Summarised financial information in respect of the Group's associate is set out below.

	2019 $'000	2018 $'000
Current assets	314	597
Non-current assets	–	9
Total assets	314	606
Current liabilities	(2)	(5)
Non-current liabilities	–	–
Total liabilities	(2)	(5)
Net assets	312	601
Proportion of the Group's ownership interest	19.5%	19.7%
Carrying amount of the Group's interest in the associate	57	119
Revenue	33	–
Loss for the year	(315)	(109)
Group's share of associate's loss for the year	(62)	(21)
Cash and cash equivalents included in current assets	314	597
Group's share of losses for the year not recognised	n.a.	n.a.

13(b) INVESTMENT IN JOINT VENTURE

	Group	
	2019 $'000	2018 $'000
Cost of investment in joint venture	76	76
Share of pre-acquisition loss, net of dividends received	(76)	(76)
	–	–

13(b) INVESTMENT IN JOINT VENTURE (CONTINUED)

The details of joint venture company are as follows:

Name of Joint Venture	Country of incorporation and operations	Proportion of ownership interest and voting power held 2019 %	2018 %	Principal activities
Ascendo International Myanmar Co. Limited	Myanmar	30	30	Corporate training and consultancy services.

The joint venture is accounted for using the equity method in the consolidated financial statements.

Summarised financial information in respect of the joint venture is set out below.

	2019 $'000	2018 $'000
Current assets	–	1
Net assets	–	1
Proportion of the Group's ownership interest	30%	30%
Carrying amount of the Group's interest in the joint venture	–	–
Revenue	–	–
(Loss) Profit for the year	(1)	49
Group's share of joint venture's loss for the year	–	–
Cash and cash equivalents included in current assets	–	1
Group's share of losses for the year not recognised	n.a.	n.a.

13(c) FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

In year 2018, the Group's interest in Vanda Electrics Pte. Ltd. (previously an associate) was diluted to 10.3% due to additional share capital injection from other investors. The Group is no longer involved in the business or operational decision making of the entity. Accordingly, the equity investment has been classified as financial asset at fair value through profit or loss and is measured at fair value in accordance with SFRS(I) 9. Management estimated the fair value of the equity investment to be $Nil (2018: Nil) in view of the operating losses and net capital deficiency position of the entity.

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current liabilities				
Trade payables:				
– outside parties	5,426	5,848	–	–
Deferred revenue[3]	229	196	–	–
Advanced billings[2]	3,620	3,590	–	–
Other payables:				
– outside parties	697	689	2	–
– related parties[1]	1,859	1,885	–	–
– subsidiary	–	–	139	140
– accrued expenses	2,214	2,408	167	221
– others	418	701	6	10
	5,188	5,683	314	371
Total	14,463	15,317	314	371
Non-current liabilities				
Other payables:				
– outside parties	131	141	–	–

(1) $350,000 (2018: $350,000) pertains to payable to directors of a subsidiary, $789,000 (2018: $1,535,000) pertains to the earn-out payable to the previous owners/founders of Ascendo Group, who remained as directors of the subsidiary, and $720,000 (2018: $Nil) pertains to the consideration payable to owners of the newly acquired subsidiaries in 2019, who remained as non-controlling shareholders of the subsidiaries.

(2) Amount relates to advance consideration received from customers for sales of equipment which is recognised as revenue when control of the equipment has transferred to the customer, being at the point when goods are delivered. The Group's revenue recognised during the year that was included in the amount at the beginning of the period is $775,000 (2018: $1,679,000).

(3) Revenue relating to the provision of training courses is recognised when such courses are being conducted. The consideration received up-front upon registration is recognised as deferred revenue. The Group's revenue recognised during the year that was included in the amount at the beginning of the period is $196,000 (2018: $305,000).

Trade payables are unsecured, non-interest bearing and are normally settled on 60 days (2018: 60 days) credit terms.

Payables due to related parties are unsecured, non-interest bearing and repayable on demand.

15 LEASES LIABILITIES

a) Lease liabilities *(Disclosure required by SFRS(I) 16)*

	Group 2019 $'000
Maturity analysis:	
Year 1	1,434
Year 2	1,325
Year 3	1,180
Year 4	949
Year 5	340
Year 6 onwards	5,079
	10,307
Less: Unearned interest	(2,410)
	7,897
Analysed as:	
Current	1,181
Non-current	6,716
	7,897

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

b) Finance leases *(Disclosure required by SFRS(I) 1-17)*

	Group	
	Minimum lease payments 2018 $'000	Present value of minimum lease payments 2018 $'000
Within one year	123	114
In second to fifth year inclusive	116	111
	239	225
Less: Future finance charges	(14)	–
Present value of lease obligations	225	225
Less: Amount due for settlement within 12 months		(114)
Amount due for settlement after 12 months		111

As at December 31, 2018, the Group leased certain of its plant and equipment under finance leases. The lease term was for a period of 3 to 5 years with an average effective interest rate of 5.77% (2018: 5.69%).

Interest rates were fixed at the contract date and thus exposed the Group to fair value interest rate risk. All leases were on fixed repayment basis and no contingent arrangement had been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 9).

16 BANK BORROWINGS

	Group 2019 $'000	Group 2018 $'000
Secured – at amortised cost		
Bank borrowings	4,448	5,277
Less: Amount due for settlement within 12 months (shown under current liabilities)	(830)	(828)
Amount due for settlement after 12 months	3,618	4,449

The bank borrowings are secured by the Group's land and buildings (Note 9) and corporate guarantees given by the Company and certain directors.

The Group's bank borrowings consist of:

(a) A secured term loan with carrying amount of $1,102,000 (2018: $1,151,000) drawn down by a subsidiary from a bank. The loan is repayable over 20 years commencing from October 2014. The loan bears interest at 2.30% per annum below the bank's base financing rate. The effective interest rate for the year is 4.53% (2018: 4.53%) per annum.

(b) A secured term loan with carrying amount of $3,346,000 (2018: $4,126,000) drawn down by a subsidiary from a bank. The loan is repayable in 10 years commencing from August 2016. The loan bears interest ranging from 3.15% to 3.51% (2018: 3.03% to 3.15%) per annum.

16 BANK BORROWINGS (CONTINUED)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

					Non-cash changes			
	December 31, 2018 $'000	Adoption of SFRS(I) 16 $'000	January 1, 2019 $'000	Financing cash flows $'000	New lease liabilities $'000	Foreign exchange movement $'000	Other changes[i] $'000	December 31, 2019 $'000
Lease liabilities (Note 15)	225	6,000	6,225	(821)	2,493	–	–	7,897
Bank borrowings (Note 16)	5,277	–	5,277	(827)	–	(2)	–	4,448
	5,502	6,000	11,502	(1,648)	2,493	(2)	–	12,345

			Non-cash changes			
	January 1, 2018 $'000	Financing cash flows $'000	New finance leases $'000	Foreign exchange movement $'000	Other changes[i] $'000	December 31, 2018 $'000
Lease liabilities (Note 15)	478	(289)	17	–	19	225
Bank borrowings (Note 16)	6,256	(983)	–	4	–	5,277
	6,734	(1,272)	17	4	19	5,502

(i) Other changes include interest accruals and payments.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group Liabilities 2019 $'000	Group Liabilities 2018 $'000
Current		
Not designated in hedge accounting relationships	(5)	(1)

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	Group 2019 $'000	Group 2018 $'000
Forward foreign exchange contracts	1,667	314

The following table details the forward foreign currency contracts outstanding as at the end of the reporting period:

Group	Average exchange rate	Foreign currency FC'000	Contract value $'000	Changes in fair value $'000
2019				
Buy EUR: less than 3 months	1.52	1,100	1,667	(5)
2018				
Buy EUR: less than 3 months	1.57	200	314	(1)

18 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the financial years:

	Group			
	Accelerated tax depreciation $'000	Provisions $'000	Intangible assets $'000	Total $'000
At January 1, 2018	985	(42)	783	1,726
Charge to profit or loss for the year (Note 25)	106	6	(70)	42
At December 31, 2018	1,091	(36)	713	1,768
Charge to profit or loss for the year (Note 25)	(3)	(7)	(69)	(79)
At December 31, 2019	1,088	(43)	644	1,689

19 SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At the beginning and end of the year	235,000,000	235,000,000	11,351	11,351

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

20 RESERVES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Foreign currency translation reserve[a]	300	308	–	–
Capital reserve[b][c]	445	445	588	588
	745	753	588	588

(i) Movement in foreign currency translation reserve:

	Group	
	2019	2018
	$'000	$'000
At beginning of the year	308	320
Other comprehensive loss	(8)	(12)
At end of the year	300	308

(ii) Movement in capital reserve:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At beginning of the year	445	420	588	588
Transaction with owners	–	25	–	–
At end of the year	445	445	588	588

(a) Foreign currency translation reserve represents exchange differences relating to the translation from the functional currency of the Group's foreign subsidiaries into Singapore dollars and are recorded in the foreign currency translation reserve.

(b) Capital reserve at the Group level represents the gain on acquisition/disposal of additional interest in subsidiaries from/to non-controlling interest shareholders.

(c) Capital reserve at the Company level represents the fair value of 20% of the issued and paid-up share capital of WFA given to the previous owners/founders of Ascendo Group as part of the acquisition of 60% shareholdings in Ascendo Group by WFE in prior years. Management had assessed the fair value of 20% of the issued and paid-up share capital of WFA, of which the present value of the forecasted cashflow was discounted at 16.12%, resulting in a deemed interest of $588,000.

21 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major revenue streams which is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 30).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2019	2018
	$'000	$'000
Engineering		
– Equipment sales	27,696	30,302
– Repairs and servicing	11,712	10,620
– Projects	1,625	5,489
	41,033	46,411
Training	13,504	10,044
	54,537	56,455

22 OTHER OPERATING INCOME

	Group	
	2019	2018
	$'000	$'000
Bad debts recovered	–	*
Commission income	102	85
Gain on disposal of property, plant and equipment	23	56
Gain on disposal of intangible assets	–	18
Interest income	173	127
Government grants	319	770
Others	46	257
	663	1,313

* Denotes less than $1,000.

23 OTHER OPERATING EXPENSES

	Group	
	2019	2018
	$'000	$'000
Insurance	277	265
Professional fees	588	544
Rental expenses	233	670
Repair and maintenance	649	500
Marketing expense	142	150
Entertainment expense	96	120
Loss on foreign exchange – net	114	95
Allowance for doubtful debts – trade	202	358
Allowance for doubtful debts – non-trade	46	113
Bad debts written off – trade	104	15
Property, plant and equipment written off	34	1
Inventories written off	193	60
Utility charges	239	199
Other expenses	1,098	1,051
	4,015	4,141

24 FINANCE COSTS

	Group	
	2019	2018
	$'000	$'000
Interest on obligations under finance leases	9	19
Interest on lease liability	223	–
Interest on bank borrowings	180	194
Fair value changes on contingent consideration	55	152
Others	54	48
	521	413

25 INCOME TAX EXPENSE

	Group	
	2019	2018
	$'000	$'000
Current tax expense	603	473
Under (Over) provision in respect of prior years:		
– current tax	24	(55)
– deferred tax	3	16
Deferred tax (Note 18)	(82)	26
	548	460

25 INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2019 **$'000**	**2018** **$'000**
Profit before tax	2,841	3,225
Income tax expenses calculated at 17% (2018: 17%)	483	548
Effect of different tax rates of subsidiaries operating in other jurisdictions	(27)	15
Tax effect of items that are non-deductible in determining taxable profits	112	210
Effect of tax incentives	(67)	(88)
Tax-exempt income and tax rebates	(47)	(115)
Under (Over) provision of tax in respect of prior years	27	(39)
Deferred tax assets (Utilisation of deferred tax assets) not recognised	64	(52)
Others	3	(19)
	548	460

Subject to the agreement with the relevant tax authorities and compliance with conditions of the relevant tax legislations, certain subsidiaries have the following deductible temporary differences, unabsorbed capital allowance and unutilised tax losses which are available for offset against any future taxable profits. No deferred tax asset has been recognised due to unpredictability of future profit stream.

	Group		
	Deductible temporary differences **$'000**	**Unabsorbed capital allowance and unutilised tax losses** **$'000**	**Total** **$'000**
At January 1, 2018	2,457	2,762	5,219
Adjustment during the year	(2,241)	212	(2,029)
Reduction during the year	(216)	–	(216)
At December 31, 2018	–	2,974	2,974
Adjustment during the year	–	1,070	1,070
Addition during the year	–	333	333
At December 31, 2019	–	4,377	4,377

26 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2019 $'000	2018 $'000
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	1,799	1,861
– Depreciation of right of use assets	806	–
– Amortisation of intangible assets	417	416
Employment benefits – directors of the Company:		
– Short term benefits	678	1,177
– Defined contribution plans	30	46
Employment benefits – directors of subsidiaries:		
– Short term and other long term benefits	1,770	1,690
– Defined contribution plans	157	160
Directors' fees:		
– Directors of the Company	154	161
– Director of a subsidiary	2	2
Employee benefit expense (including directors' remuneration):		
– Defined contribution plans	1,275	1,230
– Others	13,866	13,971
Audit fees:		
– paid to auditors of the Company	151	162
– paid to other auditors	19	8
Non-audit fees:		
– paid to auditors of the Company	20	21
– paid to other auditors	1	1
Cost of inventories recognised as an expense	25,366	30,230
Allowance (Reversal of allowance) for inventories	29	(5)
Inventories written off	193	60
Allowance for doubtful debts – trade	202	358
Allowance for doubtful debts – non-trade	46	113
Bad debts written off – trade	104	15
Gain on disposal of property, plant and equipment	(23)	(56)
Property, plant and equipment written off	34	1
Gain on disposal of intangible assets	–	(18)
Intangible assets written off	–	3
Impairment of goodwill	–	1
Loss on foreign exchange – net	114	95
Fair value changes on derivative financial instruments	4	1
Expense relating to short-term leases and leases of low value assets	48	–
Expense relating to variable lease payments not included in the measurement of the lease liability	185	–
Payment recognised as an expense during the year:		
– minimum lease payments under operating leases	–	670

27 DIVIDEND

2019

– The Company declared and paid one-tier tax exempt final dividend and a special tax exempt dividend of $0.0038 and $0.0013 per share respectively (total of $1,199,000) to the shareholders of the Company in respect of financial year ended December 31, 2018. The dividend has been paid on May 23, 2019.

2018

– The Company declared and paid one-tier tax exempt final dividend of $0.0036 per share (total of $846,000) to the shareholders of the Company in respect of financial year ended December 31, 2017. The dividend has been paid on May 18, 2018.

In respect of the current financial year, the directors proposed that final dividends of $0.0052 to be paid to the shareholders. The dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. The total estimated final dividends to be paid is $1,222,000.

28 OPERATING LEASE ARRANGEMENTS

The Group as lessee *(Disclosure required by SFRS(I) 1-17)*

At December 31, 2018, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group 2018 $'000
Within one year	696
In the second to fifth years inclusive	1,586
After five years	5,169
	7,451

29 COMMITMENTS

As at the end of the financial year, the Group has the following capital commitments:

	Group	
	2019 $'000	2018 $'000
Capital expenditure commitment	–	143

30 SEGMENT INFORMATION

For the purposes of resource allocation and assessment of segment performance, the Group's chief operating decision makers focus on the business operating units which are organised into engineering and training segments. This forms the Group's reportable segments under SFRS(I) 8.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Group			
	Revenue		Profit before tax	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Engineering	41,033	46,411	1,339	1,094
Training	13,504	10,044	1,919	2,473
	54,537	56,455	3,258	3,567
Other operating expenses[i]			(7)	(35)
Share of results of associate			(62)	(21)
Interest income			173	127
Finance costs			(521)	(413)
Profit before tax			2,841	3,225
Income tax expense			(548)	(460)
Profit for the year			2,293	2,765

(i) Pertains mainly to research and development related expenses.

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of research and development related expenses, share of results of associate and joint venture, interest income, finance costs, and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Segment assets

	Group	
	2019	2018
	$'000	$'000
Engineering	51,349	47,690
Training	17,247	11,523
Total segment assets	68,596	59,213
Unallocated assets	13,128	15,194
Consolidated total assets	81,724	74,407

30 SEGMENT INFORMATION (CONTINUED)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers monitor the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than group entities that are investment holding in nature (Note 12) and investment in associate and joint venture (Note 13). Goodwill has been allocated to the training segment. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.

Liabilities are not allocated as they are not monitored by the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Other segment information

	Group			
	Depreciation and amortisation		Additions to non-current assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Engineering	1,638	1,630	617	191
Training	1,384	647	3,288	454
Total	3,022	2,277	3,905	645

Geographical information

The Group's operations are carried out predominantly in Singapore (country of domicile), except for two (2018: three) subsidiaries operating in Malaysia, Hong Kong and Myanmar.

During the year, the Group's revenue attributed to customers located in Singapore constitutes approximately 93% (2018: 90%), with the remaining revenue attributed to customers from foreign countries.

Information about major customers

In 2019, no single customer accounted for more than 10% of the Group's total revenue.

In 2018, included in revenues arising from engineering segment of $46,411,000 are revenues of approximately $5,912,000 which arose from sale to the Group's largest customer.

31 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following data:

	Group	
	2019	**2018**
	$'000	**$'000**
Earnings per ordinary share ("EPS")		
Profit attributable to owners of the Company	2,267	2,260
Weighted average number of ordinary shares for purpose of earnings per share	235,000,000	235,000,000
EPS – Basic and diluted (cents)	0.96	0.96

There were no dilutive equity instruments for 2019 and 2018.

32 ACQUISITION OF SUBSIDIARIES

2019

On July 31, 2019, the Group acquired 95% of the issued share capital of Educare Human Capital Private Limited ("EHC") and Educare International Consultancy Pte Ltd ("EIC") for total consideration of $709,000 and $121,000 respectively.

EHC is an entity incorporated in Singapore and its principal activity is that of providing educational services and recruitment of personnel.

EIC is an entity incorporated in Singapore and its principal activity is that of providing quality educational and consultancy services to schools, teachers, parents and the community.

The Group has acquired EHC and EIC to further boost its existing training and consultancy business.

Assets acquired and liability assumed at the date of acquisition

	July 31, 2019 $'000
Current assets	
Cash and cash equivalents	621
Trade and other receivables, net of allowance	572
Current liability	
Trade and other payables	(457)
Assets acquired net of liability assumed	736

32 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Non-controlling interest

The non-controlling interest (5%) in EHC and EIC recognised at the acquisition date was measured by reference to the net carrying amount of the subsidiaries.

Goodwill arising on acquisition of subsidiaries

	July 31, 2019 $'000
Consideration paid and payable	830
Add: Non-controlling interest	37
Less: Fair value of identifiable net assets acquired	(736)
Goodwill arising on acquisition	131

Net cash inflow on acquisition of subsidiaries

	July 31, 2019 $'000
Consideration paid in cash	(110)
Cash and cash equivalent balances acquired	621
	511

Impact of acquisition on the results of the Group

Included in the Group's profit for the year is a loss of $170,000 attributable to the additional business generated by EHC and EIC. Revenue for the period from EHC and EIC amounted $1,541,000.

Had the business combination during the year been effected at January 1, 2019, the revenue of the Group would have been $4,367,000, and the profit for the year would have been $2,575,000.

2018

On March 18, 2018, the Group acquired 100% of the issued share capital of Smatra Training Hub Pte. Ltd. ("STH") for cash consideration of $1.

STH is an entity incorporated in Singapore and its principal activity is that of providing safety, quality consultancy, management services, training and education services. The Group acquired STH to further boost its existing training and consultancy business.

32 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Assets acquired and liability assumed at the date of acquisition

	March 18, 2018 $'000
Current assets	
Cash and cash equivalents	22
Trade and other receivables, net of allowance	2
Current liability	
Trade and other payables	(25)
Net liabilities assumed	(1)
Total consideration	*
Goodwill arising on acquisition of subsidiary	1

Net cash inflow on acquisition of subsidiary

	March 18, 2018 $'000
Cash and cash equivalent of STH acquired	22
Less: Consideration paid in cash	*
	22

* Denotes less than $1,000.

33 STANDARDS ISSUED BUT NOT EFFECTIVE

Management anticipates that the adoption of the new SFRS(I) pronouncements that were issued but not effective at the date of authorisation of these financial statements in future periods will not have a material impact on the financial statements of the Group and the Company.

34 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Group entered into an agreement to subscribe new ordinary shares amounting to US$375,000 (equivalent to S$521,000) in the share capital of Botsync Pte. Ltd.

The COVID-19 pandemic subsequent to the reporting date is anticipated to have an impact on the business of the Group in the coming months for the financial year ending December 31, 2020. The increasing social restrictions may also result in disruptions to the Group's normal operations. As the situation evolves, it is currently not practicable to ascertain the full financial impact it may have on the financial performance of the Group in year 2020. However, with stable financial fundamentals and low gearing, the Group, whilst managing any fallout from COVID-19, will continue to actively keep a lookout for synergistics collaboration and alliance. Management has determined that there is no condition or event affecting the Group's liquidity risk management in the foreseeable future.

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2020

Number of issued shares	:	235,000,000
Issued and fully paid-up capital	:	S$11,350,674
Number of treasury shares held	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2020, approximately 22.91% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Catalist Rules has been complied with.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	10	2.75	5,800	0.00
1,001 – 10,000	91	25.07	656,600	0.28
10,001 – 1,000,000	250	68.87	25,791,600	10.98
1,000,001 and above	12	3.31	208,546,000	88.74
	363	100.00	235,000,000	100.00

TOP 23 SHAREHOLDERS

No.	No. of Shares	Name of Shareholder	%
1	WONG FONG INVESTMENTS PTE LTD	158,280,000	67.35
2	LEE TECK LEONG	17,344,000	7.38
3	LEE CHONG SENG	11,520,000	4.90
4	UOB KAY HIAN PTE LTD	5,481,300	2.33
5	KOH BOON HWEE	3,200,000	1.36
6	LEW SIEW CHENG	3,069,000	1.31
7	DBS NOMINEES PTE LTD	1,827,900	0.78
8	NG ENG SENG	1,825,800	0.78
9	PE KOK BOON	1,800,000	0.77
10	TAN ENG HUI	1,800,000	0.77
11	DBS VICKERS SECURITIES (S) PTE LTD	1,300,000	0.55
12	HAN SEE KWANG	1,098,000	0.47
13	HAN DONGCHOU	900,000	0.38
14	HAN CHOON SIANG	896,500	0.38
15	SIM SEM PENG	800,000	0.34
16	WHANG CHIN KEONG	700,000	0.30
17	SIONG BENG SENG	597,000	0.25
18	TEHC INTERNATIONAL PTE LTD	530,000	0.23
19	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	518,100	0.22
20	ER KEE SING	500,000	0.21
21	LILY LIM HWEE LI	500,000	0.21
22	POH CHOON KAH	500,000	0.21
23	WONG KOH HOI	500,000	0.21
		215,487,600	91.69

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

	Direct Interests		Deemed Interests	
Name of Substantial Shareholder	No. of shares	Percentage (%)	No. of Shares	Percentage (%)
Wong Fong Investments Pte. Ltd.	158,280,000	67.35	–	–
Lee Teck Leong	17,344,000	7.38	–	–
Liew Ah Kuie(1)	–	–	158,280,000	67.35
Liew Khuen Choy(2)	–	–	158,280,000	67.35
Jimmy Lew Holding Pte. Ltd.(3)	–	–	158,280,000	67.35
Liew Chern Yean(4)	–	–	158,280,000	67.35
Lew Chern Yong (Liu Zhengrong)(4)	–	–	158,280,000	67.35
Ng Thye Eng(5)	140,000	0.06	158,280,000	67.35

Notes:

(1) Liew Ah Kuie holds approximately 27.96% of the issued and paid-up share capital in Wong Fong Investments Pte. Ltd. ("Wong Fong Investments"), which in turn holds 158,280,000 shares in the Company. Accordingly, Liew Ah Kuie is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the Securities and Futures Act (Cap. 289) ("SFA").

(2) Liew Khuen Choy holds approximately 22.37% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 158,280,000 shares in the Company. Accordingly, Liew Khuen Choy is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(3) Jimmy Lew Holding Pte. Ltd. ("Jimmy Lew Holding") holds approximately 40.39% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 158,280,000 shares in the Company. Accordingly, Jimmy Lew Holding is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(4) Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) each holds 25% of the issued and paid-up share capital in Jimmy Lew Holding, which in turn is deemed interested in the 158,280,000 shares held by Wong Fong Investments. Accordingly, Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) are deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(5) Ng Thye Eng holds 20% of the issued and paid-up share capital in Jimmy Lew Holding, which in turn is deemed interested in the 158,280,000 shares held by Wong Fong Investments. Accordingly, Ng Thye Eng is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA. Ng Thye Eng is the spouse of the late Lew Kit Foo @ Liew Foo who ceased to be a substantial Shareholder subsequent to his demise on 10 August 2018.

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