

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		Increase/ (Decrease) %
	HY2019 S\$'000	HY2018 S\$'000	
Revenue	24,774	24,318	1.9
Other operating income	586	611	(4.1)
Changes in inventories of finished goods and work-in-progress	683	1,600	(57.3)
Materials and consumables used and other direct costs	(13,209)	(14,902)	(11.4)
Employee benefits expense	(6,986)	(6,745)	3.6
Depreciation and amortisation expenses	(1,456)	(1,138)	27.9
Other operating expenses	(1,922)	(1,935)	(0.7)
Share of loss from associate	(39)	-	NM
Finance costs	(266)	(246)	8.1
Profit before tax	2,165	1,563	38.5
Income tax expense	(258)	(28)	NM
Profit for the period	1,907	1,535	24.2
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Exchange differences on translation of foreign operations	25	(100)	NM
Other comprehensive income (loss) for the period, net of tax	25	(100)	NM
Total comprehensive income for the period	1,932	1,435	34.6
Profit attributable to:			
Owners of the Company	1,620	1,051	54.1
Non-controlling interests	287	484	(40.7)
	1,907	1,535	24.2
Total comprehensive income attributable to:			
Owners of the Company	1,636	917	78.4
Non-controlling interests	296	518	(42.9)
	1,932	1,435	34.6

NM: Not meaningful

1(a)(ii) Notes to consolidated statement of profit or loss and other comprehensive income.
The group's profit before tax was arrived at after crediting / (charging) the following:

	GROUP		
	HY2019 S\$'000	HY2018 S\$'000	Increase/ (Decrease) %
<u>Material items included in other income:</u>			
Reversal of allowance for doubtful debts	232	-	NM
Government grants	152	314	(51.6)
Interest income	84	43	95.3
Other income	65	112	(42.0)
Commission income	53	48	10.4
<u>Material items included in other operating expenses:</u>			
Allowance for doubtful debts – trade and non-trade	-	(227)	NM
Allowance for inventories and inventories written off	(74)	(37)	100.0
Impairment of goodwill	-	(1)	NM
Depreciation of property, plant and equipment	(887)	(930)	(4.6)
Depreciation of right-of-use assets	(360)	-	NM
(Loss) Gain on disposal of property, plant and equipment	(10)	29	NM
Amortisation of intangible assets	(209)	(208)	0.5
Property, plant and equipment written off	(2)	(1)	100.0
Bad debts written off	(70)	-	NM
Finance cost	(266)	(246)	8.1
Rental expense	(117)	(306)	(61.8)
(Loss) Gain on foreign exchange - net	(79)	63	NM
Loss on fair value change on derivative financial instruments	(2)	(11)	(81.8)

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

STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 30 Jun 2019 S\$'000	As at 31 Dec 2018 S\$'000	As at 30 Jun 2019 S\$'000	As at 31 Dec 2018 S\$'000
ASSETS				
Current assets				
Cash and bank balances	27,436	23,958	13,541	15,310
Trade and other receivables	10,434	14,962	283	58
Inventories	10,847	10,232	-	-
Total current assets	48,717	49,152	13,824	15,368
Non-current assets				
Property, plant and equipment	19,282	19,703	-	-
Right-of-use assets ⁽¹⁾	6,052	-	-	-
Intangible asset	5,224	5,433	-	-
Investment in subsidiaries	-	-	3,564	3,564
Investment in associate ⁽²⁾	79	119	-	-
Investment in joint venture ⁽²⁾	-	-	-	-
Total non-current assets	30,637	25,255	3,564	3,564
Total assets	79,354	74,407	17,388	18,932
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	13,969	15,317	344	371
Lease liabilities ⁽¹⁾	819	114	-	-
Bank borrowings	828	828	-	-
Derivative financial instruments	3	1	-	-
Income tax payable	465	465	-	-
Total current liabilities	16,084	16,725	344	371
Non-current liabilities				
Other payables	116	141	-	-
Deferred tax liabilities	1,734	1,768	-	-
Lease liabilities ⁽¹⁾	5,447	111	-	-
Bank borrowings	4,027	4,449	-	-
Total non-current liabilities	11,324	6,469	-	-
CAPITAL AND RESERVES				
Share capital	11,351	11,351	11,351	11,351
Accumulated profits	37,772	37,351	5,105	6,622
Reserves	769	753	588	588
Equity attributable to owners of the Company	49,892	49,455	17,044	18,561
Non-controlling interests	2,054	1,758	-	-
Total equity	51,946	51,213	17,044	18,561
Total equity and liabilities	79,354	74,407	17,388	18,932

(1) The Group adopted SFRS(I)16 *Leases* with effect from January 1, 2019. The effects of changes in accounting standard are disclosed in item 5 page 9.

(2) Cost of investment is reduced by share of post-acquisition loss, net of dividends received.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 30 Jun 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,647	-	942	-

Amount repayable after one year

As at 30 Jun 2018		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
9,474	-	4,560	-

Details of any collateral

- (i) The Group's bank borrowings are secured by a corporate guarantee and the Group's land and buildings; and
- (ii) The Group's finance leases are secured by a corporate guarantee and the lessors' title to the leased assets.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	HY2019 S\$'000	HY2018 S\$'000
Operating activities		
Profit before taxation	2,165	1,563
Adjustments for:		
Depreciation of property, plant and equipment	887	930
Depreciation of right-of-use assets	360	-
Amortisation of intangible asset	209	208
Impairment of goodwill	-	1
Property, plant and equipment written off	2	1
Bad debts written off	70	-
Loss (Gain) on disposal of property, plant and equipment	10	(29)
Allowance for doubtful debts	-	227
Reversal of allowance for doubtful debts	(232)	-
Interest expense	238	216
Interest income	(84)	(43)
Fair value changes on derivative financial instruments	2	11
Allowance for inventories and inventories written off	74	37
Reversal of allowance for inventories	-	(2)
Share of loss from associate	39	-
Operating cash flows before movements in working capital	3,740	3,120
Inventories	(697)	(1,575)
Trade and other receivables	4,690	147
Trade and other payables	(1,389)	(3,683)
Cash flows generated from (used in) operations	6,344	(1,991)
Income tax paid	(293)	(288)
Net cash from (used in) operating activities	6,051	(2,279)
Investing activities		
Purchase of property, plant and equipment	(478)	(362)
Proceeds from disposal of property, plant and equipment	29	-
Purchase of intangible assets	-	(15)
Interest received	84	43
Net cash used in investing activities	(365)	(334)
Financing activities		
Dividends paid	(1,199)	(846)
Increase in pledged fixed deposits	(12)	-
Interest paid	(203)	(110)
Repayments of lease liabilities	(371)	(119)
Repayments of bank borrowings	(414)	(505)
Net cash used in financing activities	(2,199)	(1,580)
Net increase (decrease) in cash and cash equivalents	3,487	(4,193)
Cash and cash equivalents at beginning of year	23,331	25,392
Effect of foreign exchange rate changes	(20)	31
Cash and cash equivalents at end of period⁽¹⁾	26,798	21,230

(1) Excludes pledged fixed deposit of S\$0.6 million (HY2018: S\$0.2 million).

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

Group	Share capital S\$'000	Accumulated profits S\$'000	Reserves S\$'000	Equity attributable to owners of the Company S\$'000	Non- controlling interests S\$'000	Total S\$'000
Balance as at January 1, 2019	11,351	37,351	753	49,455	1,758	51,213
Transactions with owners, recognised directly in equity:						
Dividends paid to owners of the Company	-	(1,199)	-	(1,199)	-	(1,199)
Total	-	(1,199)	-	(1,199)	-	(1,199)
Total comprehensive income for the period:						
Profit for the period	-	1,620	-	1,620	287	1,907
Other comprehensive income for the period	-	-	16	16	9	25
Total	-	1,620	16	1,636	296	1,932
Balance as at June 30, 2019	11,351	37,772	769	49,892	2,054	51,946
Balance as at January 1, 2018	11,351	35,936	740	48,027	1,505	49,532
Transactions with owners, recognised directly in equity:						
Non-controlling interest shareholders	-	-	25	25	(25)	-
Dividends paid	-	(846)	-	(846)	-	(846)
Total	-	(846)	25	(821)	(25)	(846)
Total comprehensive income for the period:						
Profit for the period	-	1,051	-	1,051	484	1,535
Other comprehensive loss for the period	-	-	(65)	(65)	(35)	(100)
Total	-	1,051	(65)	986	449	1,435
Balance as at June 30, 2018	11,351	36,141	700	48,192	1,929	50,121

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

Company	Share capital S\$'000	Accumulated profits S\$'000	Reserves S\$'000	Total S\$'000
Balance as at January 1, 2019	11,351	6,622	588	18,561
Transaction with owners, recognised directly in equity:				
Dividends paid	-	(1,199)	-	(1,199)
Loss for the period, representing total comprehensive loss for the period	-	(318)	-	(318)
Balance as at June 30, 2019	11,351	5,105	588	17,044
Balance as at January 1, 2018	11,351	6,364	588	18,303
Transaction with owners, recognised directly in equity:				
Dividends paid	-	(846)	-	(846)
Loss for the period, representing total comprehensive loss for the period	-	(388)	-	(388)
Balance as at June 30, 2018	11,351	5,130	588	17,069

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

	Number of shares	Issued and paid-up share capital S\$
Balance as at 31 December 2018 and 30 June 2019	235,000,000	11,350,674

There were no outstanding options, convertibles or treasury shares held by the Company or subsidiary holdings as at 30 June 2018 and 30 June 2019.

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

	As at 30 Jun 2019	As at 31 Dec 2018
Total number of issued shares excluding treasury shares	235,000,000	235,000,000

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

There were no treasury shares held by the Company.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There were no subsidiary holdings.

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

The figures have not been audited or reviewed by the auditors of the Company.

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

Not applicable.

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

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statement for the current reporting period as those applied in its most recently audited financial statements for the financial year ended 31 December 2018 ("FY2018").

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

The Group and the Company adopted SFRS(I) 16 *Leases* that is effective for annual periods beginning on or after January 1, 2019. The Group and the Company adopted the simplified transition approach and the comparative amount for the year prior to first adoption was not restated. All right-of-use assets are measured at the amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) at the date of initial application. Under SFRS(I) 16, qualifying lease payments were no longer taken to other operating expenses but capitalized to the statement of financial position as right-of-use assets and depreciated over the term of the lease. Cash paid for the interest portion of lease liability is presented as part of financing activities, in accordance with the Group's and the Company's accounting policy.

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

	Group	
	HY2019	HY2018
Profit attributable to owners of the Company (S\$'000)	1,620	1,051
Weighted average number of shares ('000)	235,000	235,000
Basic and diluted earnings per share (cents)	0.69	0.45

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30 Jun 2019	As at 31 Dec 2018	As at 30 Jun 2019	As at 31 Dec 2018
Net asset value (S\$'000)	49,892	49,455	17,044	18,561
Number of shares ('000)	235,000	235,000	235,000	235,000
Net asset value per share (cents)	21.23	21.04	7.25	7.90

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

REVIEW OF INCOME STATEMENT

Revenue increased by S\$0.5 million or 1.9% from S\$24.3 million in HY2018 to S\$24.8 million in HY2019. This was mainly attributable to an increase in revenue from the Training business of S\$1.9 million and partially offset by a decrease in revenue from the Engineering business of S\$1.4 million. The Engineering business comprises Equipment Sales, Repairs and Servicing and Projects. The increase in revenue from the Training business was due to an increase of students attending the courses under its curriculum. The decline in revenue from the Engineering business was due to a challenging business environment, deferred deliveries and increased competition from new market entrants.

Other operating income remains comparable to prior period with a marginal decrease by S\$0.02 million or 4.1% from S\$0.59 million in HY2018 to S\$0.61 million in HY2019.

Changes in inventories of finished goods and work-in-progress, as well as materials and consumables used and other direct costs, decreased by S\$0.8 million or 5.8% from S\$13.3 million in HY2018 to S\$12.5 million in HY2019 mainly due to a decrease in purchases of equipment in line with the decrease in revenue from Equipment Sales.

Employee benefits expense increased by S\$0.3 million or 3.6% from S\$6.7 million in HY2018 to S\$7.0 million in HY2019 mainly due to the additional headcount arising from the expansion of the Training business.

Depreciation and amortisation expenses increased by S\$0.4 million or 27.9% from S\$1.1 million in HY2018 to S\$1.5 million in HY2019 mainly due to additional depreciation charge on Right-of-Use ("**ROU**") assets of S\$0.4 million from adoption of SFRS(I) 16 *Leases*.

Other operating expenses remains comparable to prior period with a marginal decrease by S\$0.02 million or 0.7% from S\$1.94 million in HY2018 to S\$1.92 million in HY2019.

Finance costs increased by S\$0.1 million or 8.1% from S\$0.2 million in HY2018 to S\$0.3 million in HY2019 mainly due to interest expense on lease liabilities of S\$0.1 million from adoption of SFRS(I) 16 *Leases*.

As a result of the foregoing, profit after tax increased by S\$0.4 million or 24.2% from S\$1.5 million in HY2018 to S\$1.9 million in HY2019.

REVIEW OF FINANCIAL POSITION

The Group's current assets decreased by S\$0.5 million or 0.9% from S\$49.2 million as at 31 December 2018 to S\$48.7 million as at 30 June 2019, mainly due to a decrease in trade and other receivables of S\$4.5 million and partially offset by an increase in cash and bank balances of S\$3.4 million and an increase in inventories of S\$0.6 million.

The Group's non-current assets increased by S\$5.3 million or 21.3% from S\$25.3 million as at 31 December 2018 to S\$30.6 million as at 30 June 2019, mainly due to right-of-use assets of S\$6.1 million arising from the adoption of SFRS(I) 16 *Leases* and partially offset by a decrease in property, plant and equipment of S\$0.4 million, a decrease in an investment in associate of S\$0.1 million and a decrease in intangible asset of S\$0.2 million. The decrease in intangible asset and property, plant and equipment were due to amortisation and depreciation during the period respectively. Properties are stated at historical cost less accumulated depreciation.

The Group's current liabilities decreased by S\$0.6 million or 3.8% from S\$16.7 million as at 31 December 2018 to S\$16.1 million as at 30 June 2019, mainly due to a decrease in trade and other payables of S\$1.3 million and partially offset by an increase in lease liabilities of S\$0.7 million.

The Group's non-current liabilities increased by S\$4.8 million or 75.1% from S\$6.5 million as at 31 December 2018 to S\$11.3 million as at 30 June 2019, mainly due to an increase in lease liabilities of S\$5.4 million arising from the adoption of SFRS(I) 16 *Leases* and partially offset by repayment of bank borrowings of S\$0.4 million and a decrease in deferred tax liabilities of S\$0.1 million.

REVIEW OF CASH FLOWS

In HY2019, we generated net cash from operating activities before changes in working capital of S\$3.7 million. Net cash generated from working capital amounted to S\$2.6 million mainly due to a decrease in trade and other receivables of S\$4.7 million and partially offset by an increase in inventories of S\$0.7 million and a decrease in trade and other payables of S\$1.4 million. We also paid income tax of S\$0.3 million. As a result, net cash generated from operating activities amounted to S\$6.1 million.

Net cash used in investing activities amounted to S\$0.4 million in HY2019, mainly for purchase of property, plant and equipment during the period.

Net cash used in financing activities amounted to S\$2.2 million in HY2019, mainly due to payment of dividends of S\$1.2 million, interest payment of S\$0.2 million, repayments of bank borrowings of S\$0.4 million and repayments of lease liabilities of S\$0.4 million.

As a result of the above, the Group's cash and cash equivalents increased by S\$3.5 million to S\$26.8 million in HY2019.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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

Given the unresolved US-Sino trade war, continued Brexit uncertainty and weakening economic environment, we foresee the next 12 months to be both challenging and opportunistic.

Whilst we expect the demand for new equipment to remain subdued, the Repairs and Servicing segment should remain stable. With an increased delivery schedule anticipated for the 2nd half of 2019 and barring any unforeseen circumstances, we expect the Engineering business to remain resilient.

The Training business continues to expand in all its key business segments. With the recent conditional acquisitions of Educare Human Capital Pte. Ltd. and Educare International Consultancy Pte. Ltd., the Training business will further enhance its human capital management and consultancy business segments. Coupled with the increased course offerings, we anticipate the Training business to continue being an important profit contributor to the Group in the next 12 months.

Based on the above, the Group anticipates 2019 to be a challenging but fulfilling year. Barring unforeseen circumstances, the Group expects its overall business to remain profitable. Notwithstanding, the Group will continue to closely monitor and streamline its operations whilst actively investing in strategic alliances and most importantly, its own employees and potential future leaders.

11. Dividend

(a) Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year?

Nil

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable

(d) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommended by the board of directors (“**Board**” or “**Directors**”) of the Company in respect of 1H2019. The Directors will review the Group’s financial performance at the end of 2019 before recommending any dividend payment to shareholders.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions. There was no interested person transaction of S\$100,000 or more for HY2019.

14. Confirmation by the issuer pursuant to Rule 720(1)

The Company has procured the undertakings from all its Directors and executive officers as required under Rule 720(1) of the Catalist Rules.

15. Negative confirmation by the Board pursuant to Rule 705(5)

The Board confirms that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results of the Group for HY2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Pao Kiew Tee
Independent Chairman

James Liew
Co-Founder and Group Chief Executive Officer

06 August 2019

This announcement has been prepared by Wong Fong Industries Limited (the "Company") and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr 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.