



**UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE (“HY”) 2021**

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A. Condensed interim consolidated statements of profit or loss and other comprehensive income

		GROUP		
	Note	HY2021 S\$'000	HY2020 S\$'000	Increase/ (Decrease) %
Revenue	4	31,404	22,481	39.7
Other operating income		1,504	2,119	(29.0)
Changes in inventories of finished goods and work-in-progress		3,044	1,235	NM
Materials and consumables used and other direct costs		(20,187)	(13,395)	50.7
Employee benefits expense		(9,523)	(7,292)	30.6
Depreciation and amortisation expenses		(1,958)	(1,726)	13.4
Impairment losses on financial assets		(72)	-	NM
Other operating expenses		(1,522)	(1,321)	15.2
Share of result of an associate		-	(57)	NM
Finance costs		(233)	(228)	2.2
Profit before tax	6	2,457	1,816	35.3
Income tax expense	7	(448)	(394)	13.7
Profit for the period		2,009	1,422	41.3
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
- Net fair value loss on investments in equity instruments designated as at FVTOCI		(19)	(9)	NM
<i>Items that may be reclassified subsequently to profit or loss</i>				
- Exchange differences on translation of foreign operations		15	52	(71.2)
Other comprehensive income for the period, net of tax		(4)	43	NM
Total comprehensive income for the period		2,005	1,465	36.9
Profit attributable to:				
Owners of the Company		1,761	995	77.0
Non-controlling interests		248	427	(41.9)
		2,009	1,422	41.3
Total comprehensive income attributable to:				
Owners of the Company		1,753	1,019	72.0
Non-controlling interests		252	446	(43.5)
		2,005	1,465	36.9

NM: Not meaningful

FVTOCI: Fair value through other comprehensive income

B. Condensed interim statements of financial position

	Note	GROUP		COMPANY	
		As at June 30, 2021 S\$'000	As at December 31, 2020 S\$'000	As at June 30, 2021 S\$'000	As at December 31, 2020 S\$'000
ASSETS					
Current assets					
Cash and bank balances		24,780	25,289	6,886	9,032
Derivative financial instruments		-	2	-	-
Trade and other receivables		15,733	15,231	299	214
Inventories		15,143	12,080	-	-
Total current assets		55,656	52,602	7,185	9,246
Non-current assets					
Property, plant and equipment	10	17,132	17,574	6	7
Right-of-use assets		7,750	7,158	-	-
Intangible asset	11	4,522	4,717	-	-
Investment in subsidiaries		-	-	3,564	3,564
Investment in associate ⁽¹⁾		-	-	-	-
Investment in joint venture ⁽¹⁾		-	-	-	-
Investments in financial assets	12	3,955	3,461	3,808	3,371
Total non-current assets		33,359	32,910	7,378	6,942
Total assets		89,015	85,512	14,563	16,188
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables		18,876	16,625	151	496
Lease liabilities	13	1,764	1,532	-	-
Bank borrowings	13	1,161	1,073	-	-
Derivative financial instruments		3	-	-	-
Income tax payable		866	661	-	-
Total current liabilities		22,670	19,891	151	496
Non-current liabilities					
Other payables		110	84	-	-
Deferred tax liabilities		1,515	1,565	-	-
Lease liabilities	13	6,250	5,861	-	-
Bank borrowings	13	4,198	4,833	-	-
Total non-current liabilities		12,073	12,343	-	-
CAPITAL AND RESERVES					
Share capital	14	11,351	11,351	11,351	11,351
Accumulated profits		40,021	39,271	2,483	3,744
Reserves		328	336	578	597
Equity attributable to owners of the Company		51,700	50,958	14,412	15,692
Non-controlling interests		2,572	2,320	-	-
Total equity		54,272	53,278	14,412	15,692
Total equity and liabilities		89,015	85,512	14,563	16,188

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

C. Condensed interim statements of changes in equity

Group	Note	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, 2021		11,351	39,271	336	50,958	2,320	53,278
Transactions with owners, recognized directly in equity:							
Dividends paid to owners of the Company	8	-	(1,011)	-	(1,011)	-	(1,011)
Total		-	(1,011)	-	(1,011)	-	(1,011)
Total comprehensive income for the period:							
Profit for the period		-	1,761	-	1,761	248	2,009
Other comprehensive (loss)/income for the period		-	-	(8)	(8)	4	(4)
Total		-	1,761	(8)	1,753	252	2,005
Balance as at June 30, 2021		11,351	40,021	328	51,700	2,572	54,272
Balance as at January 1, 2020		11,351	38,420	745	50,516	1,877	52,393
Transactions with owners, recognised directly in equity:							
Dividends paid to owners of the Company	8	-	(1,222)	-	(1,222)	-	(1,222)
Total		-	(1,222)	-	(1,222)	-	(1,222)
Total comprehensive income for the period:							
Profit for the period		-	995	-	995	427	1,422
Other comprehensive income for the period		-	-	24	24	19	43
Total		-	995	24	1,019	446	1,465
Balance as at June 30, 2020		11,351	38,193	769	50,313	2,323	52,636

C. Condensed interim statement of changes in equity (cont'd)

Company	Note	Share capital S\$'000	Accumulated profits S\$'000	Reserves S\$'000	Total S\$'000
Balance as at January 1, 2021		11,351	3,744	597	15,692
Transaction with owners, recognised directly in equity:					
Dividends paid	8	-	(1,011)	-	(1,011)
Total comprehensive loss for the period:					
Loss for the period		-	(250)	-	(250)
Other comprehensive loss for the period		-	-	(19)	(19)
Total		<u>-</u>	<u>(250)</u>	<u>(19)</u>	<u>(269)</u>
Balance as at June 30, 2021		<u>11,351</u>	<u>2,483</u>	<u>578</u>	<u>14,412</u>
Balance as at January 1, 2020		11,351	4,680	588	16,619
Transaction with owners, recognised directly in equity:					
Dividends paid	8	-	(1,222)	-	(1,222)
Total comprehensive loss for the period:					
Loss for the period		-	(304)	-	(304)
Other comprehensive loss for the period		-	-	(9)	(9)
Total		<u>-</u>	<u>(304)</u>	<u>(9)</u>	<u>(313)</u>
Balance as at June 30, 2020		<u>11,351</u>	<u>3,154</u>	<u>579</u>	<u>15,084</u>

D. Condensed interim consolidated statement of cash flows

	Note	GROUP	
		HY2021 S\$'000	HY2020 S\$'000
Operating activities			
Profit before taxation		2,457	1,816
Adjustments for:			
Depreciation of property, plant and equipment	6	877	948
Depreciation of right-of-use assets	6	885	583
Amortisation of intangible asset	11	196	195
Impairment of goodwill		-	35
Loss on disposal of property, plant and equipment	6	5	16
Allowance (Reversal of allowance) for doubtful debts		72	(29)
Interest expense		194	202
Interest income	6	(29)	(70)
Dividend received	6	(25)	-
Fair value changes on derivative financial instruments	6	5	(3)
(Reversal of) Allowance for inventories and inventories written off	6	(40)	56
Share of results of an associate	6	-	57
Fair value changes on financial assets measure at FVTPL ⁽¹⁾	6	(142)	-
Operating cash flows before movements in working capital		4,455	3,806
Inventories		(3,063)	(1,213)
Trade and other receivables		(625)	(925)
Trade and other payables		2,350	668
Cash flows generated from operations		3,117	2,336
Income tax paid		(294)	(36)
Net cash from operating activities		2,823	2,300
Investing activities			
Purchase of property, plant and equipment		(459)	(221)
Proceeds from disposal of property, plant and equipment		-	1
Purchases of financial assets measured at FVTPL ⁽¹⁾		(64)	-
Purchases of quoted debt securities measured at FVTOCI		(231)	-
Investment in equity instrument designated at FVTOCI		(76)	(970)
Interest received		29	70
Dividend received		25	-
Net cash used in investing activities		(776)	(1,120)
Financing activities			
Dividends paid		(1,011)	-
Increase in pledged fixed deposits		-	(1,651)
Interest paid		(194)	(191)
Repayment of lease liabilities		(837)	(573)
Repayment of bank borrowings		(533)	(421)
Net cash used in financing activities		(2,575)	(2,836)
Net decrease in cash and cash equivalents		(528)	(1,656)
Cash and cash equivalents at beginning of period		25,076	24,539
Effect of foreign exchange rate changes		19	1
Cash and cash equivalents at end of period⁽²⁾		24,567	22,884

(1) FVTPL: Fair value through profit or loss.

(2) Excludes pledged fixed deposit of S\$0.2 million in HY2021 (HY2020: S\$2.3 million).

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

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 the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

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

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

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020 (“**FY2020**”).

The accounting policies adopted are consistent with those of FY2020 which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company’s functional currency.

2.1. New and amended standards adopted by the Group

A number of amendments to the standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for FY2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period 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.

(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.

(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.

(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.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during HY2021.

4. Segment and revenue 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:

	<u>Revenue</u>		<u>Group</u>	
	HY2021	HY2020	<u>Net Profit</u>	
	S\$'000	S\$'000	HY2021	HY2020
			S\$'000	S\$'000
Engineering	21,173	14,269	815	332
Training	10,231	8,212	1,850	1,701
	<u>31,404</u>	<u>22,481</u>	<u>2,665</u>	<u>2,033</u>
Interest income			30	70
Other operating expenses ⁽ⁱ⁾			(5)	(2)
Share of results of an associate			-	(57)
Finance costs			(233)	(228)
Profit before tax			<u>2,457</u>	<u>1,816</u>
Income tax expense			(448)	(394)
Profit for the period			<u>2,009</u>	<u>1,422</u>

⁽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. Segment profit represents the profit earned by each segment without allocation of research and development related expenses, 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

	June 30, 2021	Group December 31, 2020
	S\$'000	S\$'000
Engineering	56,223	52,836
Training	21,331	19,406
Total segment assets	77,554	72,242
Unallocated assets	11,461	13,270
Consolidated total assets	89,015	85,512

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 with the exception of assets of group entities that are investment holding in nature, investments in associate and joint venture and investments in financial assets (Note 12). 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

	<u>Group Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	HY2021	HY2020	HY2021	HY2020
	S\$'000	S\$'000	S\$'000	S\$'000
Engineering	781	838	248	126
Training	1,176	887	225	38
Unallocated	1	1	-	-
Total	1,958	1,726	473	164

Geographical information

The Group's operates predominantly in Singapore (country of domicile), except for two (June 30, 2020: two) subsidiaries operating in Malaysia and Myanmar.

The Group's revenue from external customers by geographical location are detailed below:

	<u>Group</u>	
	<u>Revenue from</u>	
	<u>external customers</u>	
	HY2021	HY2020
	S\$'000	S\$'000
<u>Based on location of customer</u>		
Singapore	30,752	21,677
Others	652	804
	<u>31,404</u>	<u>22,481</u>

Information about major customers

There is no single customer which accounted for more than 10% of the Group's total revenue in HY2021 (HY2020: nil).

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	<u>Group</u>		<u>Company</u>	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
Derivative financial instruments	-	2	-	-
Financial assets at amortised cost	40,160	40,197	7,168	9,205
Financial assets measured at FVTPL	2,809	2,612	2,809	2,612
Financial assets at FVTOCI:				
Debt instruments classified as at FVTOCI	999	759	999	759
Equity instruments designated as at FVTOCI	147	90	-	-
Financial liabilities				
Financial liabilities at amortised cost	18,570	16,892	148	496
Derivative financial instruments	3	-	-	-
Contingent consideration for a business combination	800	800	-	-
Lease liabilities	<u>8,015</u>	<u>7,393</u>	-	-

6. Profit before tax

6.1 Significant items

	<u>Group</u>	
	<u>HY2021</u>	<u>HY2020</u>
	S\$'000	S\$'000
<u>Material items included in other income:</u>		
Reversal of allowance for doubtful debts	-	29
Government grants	1,122	1,929
Interest income	29	70
Dividend received	25	-
Other income	36	8
Commission income	43	67
Gain on fair value change on derivative financial instruments	-	3
Gain on fair value on financial assets FVTPL	129	-
Gain on fair value on bond	13	-
Reversal for the provision of slow-moving inventory	22	-
Reversal of impairment of inventory	18	-
Rental income	42	-
<u>Material items included in other operating expenses:</u>		
Allowance for inventories and inventories written off	-	(56)
Impairment of goodwill	-	(35)
Loss on disposal of property, plant and equipment	(5)	(16)
Loss on foreign exchange - net	(109)	(7)
Loss on fair value change on derivative financial instruments	(5)	-
<u>Others:</u>		
Depreciation of property, plant and equipment	(877)	(948)
Depreciation of right-of-use assets	(885)	(583)
Amortisation of intangible assets	(195)	(195)
Interest expense	(194)	(202)
Share of results of an associate	-	(57)

6.2 Related party transactions

During the period, group entities entered into the following transactions with related companies that are not members of the Group:

	<u>Group</u>	
	<u>HY2021</u>	<u>HY2020</u>
	S\$'000	S\$'000
<u>Transaction with ultimate holding company</u>		
Dividend paid	681	823
<u>Transactions with company which certain shareholders have interest in</u>		
Sales	-	<u>2</u>

7. Income tax expense

	<u>Group</u>	
	<u>HY2021</u>	<u>HY2020</u>
	S\$'000	S\$'000
Current income tax expense	<u>448</u>	<u>394</u>

8. Dividends

HY2021

- The Company declared and paid one-tier tax exempt final dividend of S\$0.0043 per share (total of S\$1,011,000) to shareholders of the Company in respect of FY2020. The dividend has been paid on 21 May 2021.

HY2020

- The Company declared and paid one-tier tax exempt final dividend of S\$0.0052 per share (total of S\$1,222,000) to shareholders of the Company in respect of financial year ended 31 December 2019. The dividend has been paid on 17 July 2020.

9. Net asset value

	<u>Group</u>		<u>Company</u>	
	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Net asset value (S\$'000)	51,700	50,958	14,412	15,692
Number of shares ('000)	235,000	235,000	235,000	235,000
Net asset value per share (cents)	22.00	21.68	6.13	6.68

10. Property, plant and equipment

During HY2021, the Group acquired assets amounting to S\$473,000 (HY2020: S\$164,000) and disposed of assets amounting to S\$17,000 (HY2020: S\$12,000).

11. Intangible assets

<u>Group</u>	Goodwill	Accreditation and copyright ⁽¹⁾	Favourable leases ⁽²⁾	Other intangible assets ⁽³⁾	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2020:					
Cost	1,431	4,549	59	8	6,047
Accumulated amortisation and impairment	(36)	(1,228)	(59)	(7)	(1,330)
Net book amount	1,395	3,321	-	1	4,717
At 6 months ended 30 June 2021:					
Opening net book amount	1,395	3,321	-	1	4,717
Amortisation charge	-	(195)	-	-	(195)
Closing net book amount	1,395	3,126	-	1	4,522

- 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 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 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 useful life of 3 years.

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. Before recognition of impairment losses, 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”) in the Training segment.

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

The recoverable amounts of the CGUs are determined based on value in use calculations which use cash flow projections based on financial budgets approved by the directors. 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 CGUs. The rates used in HY2021 to discount the forecast cash flows from AAPL is 10.1% (HY2020: 10.1%) and from EHC and EIC is 10.1% (HY2020: 10.1%).

The key assumptions used by management in setting the financial budgets include forecast sales growth rates and expected changes to course fees and direct costs. Forecast sales 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.

Cash flows beyond the forecast period have been extrapolated using nil growth rate.

Full impairment loss of S\$35,000 has been recognised for goodwill allocated to EIC as management expects forecast operating losses for the CGU.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs. No impairment loss is recorded as of June 30, 2021.

12. Investments in financial assets

	<u>Group</u>		<u>Company</u>	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Investments in debt instruments classified as at FVTOCI (i)				
Corporate bonds	999	759	999	759
Investments in equity instruments designated as at FVTOCI (ii)				
Unlisted shares	147	90	-	-
Financial assets measured at FVTPL (iii)				
Listed shares	1,764	1,571	1,764	1,571
Corporate bonds	1,045	1,041	1,045	1,041
	<u>2,809</u>	<u>2,612</u>	<u>2,809</u>	<u>2,612</u>
	<u>3,955</u>	<u>3,461</u>	<u>3,808</u>	<u>3,371</u>

- (i) The investments in listed corporate bond issued by CapitalLand Treasury Limited, CMT MTN Pte Ltd and Sembcorp Financial Services Pte. Ltd. are paying 2.90%, 2.15% and 2.45% of interest per annum respectively and the bonds will mature in year 2031 to year 2032. At maturity, the Group will receive nominal amount of S\$1,000,000. The corporate bonds are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence the corporate bonds are classified as at FVTOCI. See below for impairment assessment.
- (ii) The Group holds 13.03% (December 31, 2020 : 7.6%) of the ordinary share capital of Botsync Pte. Ltd., a Singapore-based robotics start-up. See below the valuation methodology for the investment.

The investment is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, management has elected to designate the investment in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising their performance potential in the long run.

No shares have been disposed of during the current reporting period.

- (iii) The Group has invested in a portfolio of listed shares which are managed and evaluated on fair value basis.

The Group has also invested in perpetual debt instruments issued by United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited which pay variable interest at rate of 3.58% and 3.00% per annum respectively.

The Group also holds 10.3% interest in Vanda Electrics Pte. Ltd. The investment is classified as financial asset measured at FVTPL. Management estimated the fair value of the investment to be S\$Nil (December 31, 2020: S\$Nil) in view of the operating losses and net capital deficiency position of the entity.

Impairment of financial assets

For the purposes of impairment assessment, the corporate bonds are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the expected credit losses for these assets, management has taken into account the historical default experience, the financial position of the counterparties and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

The gross carrying amount, loss allowance as well as the measurement basis of expected credit losses for each of these financial assets by credit risk rating grades.

Fair value measurement

The Group classified financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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.

Group								
Financial assets/ financial liabilities	Fair value as at (S\$'000)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	June 30, 2021		December 31, 2020					
	Assets	Liabilities	Assets	Liabilities				
Financial assets measured at FVTPL								
Listed shares	1,764	-	1,571	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Listed corporate bonds	1,045	-	1,041	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Financial assets measured at FVTOCI								
Listed corporate bonds	999	-	759	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Investment in unlisted shares	147	-	90	-	Level 3	Net asset value of the investee.	Net asset value	The higher the net asset value, the higher the fair value.

Company								
Financial assets/ financial liabilities	Fair value as at (S\$'000)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	June 30, 2021		December 31, 2020					
	Assets	Liabilities	Assets	Liabilities				
Financial assets measured at FVTPL								
Listed shares	1,764	-	1,571	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Listed corporate bonds	1,045	-	1,041	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Financial assets measured at FVTOCI								
Listed corporate bonds	999	-	759	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.

13. Bank borrowing and lease liabilities

Aggregate amount of group's borrowings and debts securities.

Amount repayable in one year or less, or on demand

As at 30 June 2021		As at 31 December 2020	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,925	-	2,605	-

Amount repayable after one year

As at 30 June 2021		As at 31 December 2020	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,448	-	10,694	-

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.

14. Share capital

	<u>Group and Company</u>			
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
			S\$'000	S\$'000
Number of ordinary shares				
Issued and paid up: At the beginning and end of the period/year	235,000,000	235,000,000	11,351	11,351

15. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. Other information required under the SGX-ST Listing Manual Section B: Rules of Catalyst

- 1(a)(i) 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 2020 and 30 June 2021	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 2020 and 30 June 2021.

- 1(b)(ii) 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 June 2021	As at 31 December 2020
Total number of issued shares excluding treasury shares	235,000,000	235,000,000

- 1(c)(iii) 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)(iv) 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- (a) **Updates on the efforts taken to resolve each outstanding audit issue.**
The latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.
- (b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

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.

The Group has applied the same accounting policies and methods of computation in the Group's financial statements for HY2021 as those applied in its most recently audited financial statements for FY2020.

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.

There are no changes to the Group's accounting policies and methods of computation including any required by the accounting standards. The adoption of the new and revised SFRS(I) pronouncements is not expected to have material effect on the amounts reported for the current period.

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	
	HY2021	HY2020
Profit attributable to owners of the Company (S\$'000)	1,761	995
Weighted average number of shares ('000)	235,000	235,000
Basic and diluted earnings per share (cents)	0.75	0.42

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 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
Net asset value (S\$'000)	51,700	50,958	14,412	15,692
Number of shares ('000)	235,000	235,000	235,000	235,000
Net asset value per share (cents)	22.00	21.68	6.13	6.68

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\$8.9 million or 39.7% from S\$22.5 million in HY2020 to S\$31.4 million in HY2021. This was mainly attributable to an increase in revenue from the Engineering and Training businesses of S\$6.9 million and S\$2.0 million respectively. The Engineering business comprises Equipment Sales, Repairs and Servicing and Projects. The increase in revenue from the Engineering business was mainly attributed to the increase in demand for such products and services from our customers in Singapore as compared to HY2020, which was adversely affected by the measures imposed during the circuit breaker period. The increase in revenue from the Training business was due to a stronger revenue contribution from the industrial training courses offered arising from the gradual opening of the economy.

Other operating income decreased by S\$0.6 million or 29.0% from S\$2.1 million in HY2020 to S\$1.5 million in HY2021. The decrease was attributable mainly to a reduction in government grants received, which includes the Jobs Support Scheme and foreign worker levy rebates introduced by the Singapore government.

Changes in inventories of finished goods and work-in-progress, as well as materials and consumables used and other direct costs, increased by S\$4.9 million or 41.0% in aggregate, from S\$12.2 million in HY2020 to S\$17.1 million in HY2021, mainly due to an increase in purchase of equipment in line with the increase in revenue from Equipment Sales.

Employee benefits expense increased by S\$2.2 million or 30.6% from S\$7.3 million in HY2020 to S\$9.5 million in HY2021, mainly due to the additional headcount arising from the expansion of the Training business.

Depreciation and amortisation expenses increased by S\$0.3 million or 13.4% from S\$1.7 million in HY2020 to S\$2.0 million in HY2021, mainly due to additional depreciation charge on right-of-use assets of S\$0.3 million.

Impairment losses on financial assets of S\$0.7 million in HY2021 are mainly due to increase in an allowance for doubtful debts and bad debts written off.

Other operating expenses increased by S\$0.2 million or 15.2% from S\$1.3 million in HY2020 to S\$1.5 million in HY2021. The increase was mainly due to the additional expenses incurred for our subsidiary, HTMi Hotel and Tourism Management Institute Pte Ltd, which was acquired in July 2020, an increase in upkeep expenses and an increase in loss on foreign exchange.

Finance costs remained relatively stable at S\$0.2 million in HY2020 and HY2021.

As a result of the foregoing, profit after tax increased by S\$0.6 million or 41.3% from S\$1.4 million in HY2020 to S\$2.0 million in HY2021.

REVIEW OF FINANCIAL POSITION

The Group's current assets increased by S\$3.1 million or 5.8% from S\$52.6 million as at 31 December 2020 to S\$55.7 million as at 30 June 2021, mainly due to an increase in inventories of S\$3.1 million.

The Group's non-current assets increased by S\$0.5 million or 1.4% from S\$32.9 million as at 31 December 2020 to S\$33.4 million as at 30 June 2021, mainly due to an increase in investments in financial assets of S\$0.5 million and an increase in right-of-use assets of S\$0.6 million, partially offset by a decrease in property, plant and equipment of S\$0.4 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. Properties are stated at historical cost less accumulated depreciation.

The Group's current liabilities increased by S\$2.8 million or 14.0% from S\$19.9 million as at 31 December 2020 to S\$22.7 million as at 30 June 2021, mainly due to an increase in trade and other payables of S\$2.3 million, an increase in income tax payable of S\$0.2 million, an increase in lease liabilities of S\$0.2 million and an increase in bank borrowings of S\$0.1 million.

The Group's non-current liabilities decreased by S\$0.2 million or 2.2% from S\$12.3 million as at 31 December 2020 to S\$12.1 million as at 30 June 2021, mainly due to repayment of bank borrowings of S\$0.6 million, partially offset by an increase in lease liabilities of S\$0.4 million.

REVIEW OF CASH FLOWS

In HY2021, we generated net cash from operating activities before changes in working capital of S\$4.5 million. Net cash used in working capital amounted to S\$1.3 million mainly due to an increase in inventories of S\$3.1 million and an increase in trade and other receivables of S\$0.6 million, partially offset by an increase in trade and other payables of S\$2.4 million. As a result, net cash generated from operating activities amounted to S\$2.8 million.

Net cash used in investing activities amounted to S\$0.8 million in HY2021, mainly for purchase of property, plant and equipment of S\$0.5 million, purchase of financial assets measured at FVTPL of S\$0.1 million, purchase of quoted debt securities measured at FVTOCI of S\$0.2 million and an investment in equity instrument designated at FVTOCI of S\$0.1 million, partially offset by interest and dividend received of S\$0.03 million and S\$0.03 million respectively.

Net cash used in financing activities amounted to S\$2.6 million in HY2021, mainly due to dividend payment of S\$1.0 million, interest payment of S\$0.2 million, repayment of bank borrowings of S\$0.5 million and repayment of lease liabilities of S\$0.8 million.

As a result of the above, the Group's cash and cash equivalents decreased by S\$0.5 million to S\$24.6 million in HY2021.

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.

COVID-19 has brought about unprecedented uncertainty to our Engineering and Training businesses with no reasonable timeline as to when businesses can expect to return to pre-COVID-19 normalcy. Whilst the calibrated opening up of the economy is overall positive for the Group, the discovery of the more contagious COVID-19 Delta variants will delay the full economic recovery as the governments around the world respond to the new strain of the COVID-19 infections.

Notwithstanding the commendable performance in HY2021, the management recognizes the need to remain vigilant and nimble as we lead the Group through these challenging times.

For the Engineering business, we envisage gradual recovery in line with the continued opening of the Singapore economy. Bouncing off a low base, equipment demand in Singapore is expected to improve moving forward. Notwithstanding, we envisage that demand for equipment in Myanmar and Malaysia will continue to be weak given the worsening economic and political fallouts. Demand for equipment service and repairs is also expected to increase in line with the continued opening of the Singapore economy. As such, and barring further economic fallouts, the management expects the Engineering business in Singapore to continue improving in the next 12 months.

For the Training business, we envisage demand for industrial courses to remain strong as the construction and other sectors work to fulfill their order backlog. Whilst the management expects the hospitality and human capital training business segments to remain stable as the food and beverage sector opens up, we also expect the demand for online training to taper off when social movement restriction further eases, allowing increased movements and interactions.

Overall, with Wong Fong's healthy balance sheet, liquidity and efficient order book execution, the management is confident of leading the Group to emerge from the Covid pandemic stronger and more resilient. Wong Fong will continue to invest in building up strategic engineering capabilities and actively look for synergistic partnerships in order to maintain long term sustainability for all our businesses, partners and shareholders.

In this regard and as part of its expansion plan, the Company had on 24 June 2021, announced that its wholly-owned subsidiary, Wong Fong Engineering Works (1988) Pte. Ltd., had been granted an option to purchase an industrial property located at 38 Joo Koon Road ("**Proposed Acquisition**"). The Group intends to use the property to enlarge our engineering footprint by exploring possibilities to integrate and introduce SMART technologies into our engineering solutions. The Proposed Acquisition will be subject to, *inter alia*, various regulatory approvals, including the Jurong Town Corporation. The Company will update shareholders as and when there are material updates in relation to the Proposed Acquisition.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

Nil

(b) (i) Amount per share

Nil

(ii) Previous corresponding period

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) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

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 HY2021 as the Group intends to conserve cash. The Directors will review the Group's financial performance for the current financial year ending 31 December 2021 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 HY2021.

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 HY2021 to be false or misleading in any material aspect.

16. Disclosure pursuant to Rule 706A of the Catalist Rules

There was no acquisition and/or sale of shares by the Company during HY2021 which requires disclosure pursuant to Rule 706A of the Catalist Rules.

BY ORDER OF THE BOARD

Pao Kiew Tee
Independent Chairman

James Liew
Co-Founder and Group Chief Executive Officer

10 August 2021

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.

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