

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2020

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) %
	HY2020 S\$'000	HY2019 S\$'000	
Revenue	22,481	24,774	(9.3)
Other operating income	2,119	586	261.6
Changes in inventories of finished goods and work-in-progress	1,235	683	80.8
Materials and consumables used and other direct costs	(13,395)	(13,209)	1.4
Employee benefits expense	(7,292)	(6,986)	4.4
Depreciation and amortisation expenses	(1,726)	(1,456)	18.5
Other operating expenses	(1,378)	(1,922)	(28.3)
Share of loss from associate	-	(39)	NM
Finance costs	(228)	(266)	(14.3)
Profit before tax	1,816	2,165	(16.1)
Income tax expense	(394)	(258)	52.7
Profit for the period	1,422	1,907	(25.4)
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	(9)	-	NM
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Exchange differences on translation of foreign operations	52	25	108.0
Other comprehensive income for the period, net of tax	43	25	72.0
Total comprehensive income for the period	1,465	1,932	(24.2)
Profit attributable to:			
Owners of the Company	995	1,620	(38.6)
Non-controlling interests	427	287	48.8
	1,422	1,907	(25.4)
Total comprehensive income attributable to:			
Owners of the Company	1,019	1,636	(37.7)
Non-controlling interests	446	296	50.7
	1,465	1,932	(24.2)

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		
	HY2020 S\$'000	HY2019 S\$'000	Increase/ (Decrease) %
<u>Material items included in other income:</u>			
Reversal of allowance for doubtful debts	29	232	(87.5)
Government grants	1,929	152	NM
Interest income	70	84	(16.7)
Other income	8	65	(87.7)
Commission income	67	53	26.4
Gain on fair value change on derivative financial instruments	3	-	NM
<u>Material items included in other operating expenses:</u>			
Allowance for inventories and inventories written off	(56)	(74)	(24.3)
Impairment of goodwill	(35)	-	NM
Impairment of investment in associate	(57)	-	NM
Depreciation of property, plant and equipment	(948)	(887)	6.9
Depreciation of right-of-use assets	(583)	(360)	61.9
Loss on disposal of property, plant and equipment	(16)	(10)	60.0
Amortisation of intangible assets	(195)	(209)	(6.7)
Property, plant and equipment written off	-	(2)	NM
Interest expense	(202)	(238)	(15.1)
Bad debts written off	-	(70)	NM
Loss on foreign exchange - net	(7)	(79)	(91.1)
Loss on fair value change on derivative financial instruments	-	(2)	NM

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 2020 S\$'000	As at 31 Dec 2019 S\$'000	As at 30 Jun 2020 S\$'000	As at 31 Dec 2019 S\$'000
ASSETS				
Current assets				
Cash and bank balances	25,173	25,178	10,704	12,818
Trade and other receivables	14,584	13,620	1,839	548
Inventories	12,066	10,906	-	-
Total current assets	51,823	49,704	12,543	13,366
Non-current assets				
Property, plant and equipment	18,308	19,129	5	3
Right-of-use assets	7,102	7,687	-	-
Intangible asset	4,916	5,147	-	-
Investment in subsidiaries	-	-	3,564	3,564
Investment in associate ⁽¹⁾	-	57	-	-
Financial assets at fair value through other comprehensive income	962	-	441	-
Total non-current assets	31,288	32,020	4,010	3,567
Total assets	83,111	81,724	16,553	16,933
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	16,293	14,463	1,469	314
Lease liabilities	1,095	1,181	-	-
Bank borrowings	837	830	-	-
Derivative financial instruments	1	5	-	-
Income tax payable	1,089	698	-	-
Total current liabilities	19,315	17,177	1,469	314
Non-current liabilities				
Other payables	104	131	-	-
Deferred tax liabilities	1,657	1,689	-	-
Lease liabilities	6,222	6,716	-	-
Bank borrowings	3,177	3,618	-	-
Total non-current liabilities	11,160	12,154	-	-
CAPITAL AND RESERVES				
Share capital	11,351	11,351	11,351	11,351
Accumulated profits	38,193	38,420	3,154	4,680
Reserves	769	745	579	588
Equity attributable to owners of the Company	50,313	50,516	15,084	16,619
Non-controlling interests	2,323	1,877	-	-
Total equity	52,636	52,393	15,084	16,619
Total equity and liabilities	83,111	81,724	16,553	16,933

(1) 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 2020		As at 31 Dec 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,932	-	2,011	-

Amount repayable after one year

As at 30 Jun 2020		As at 31 Dec 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
9,399	-	10,334	-

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	
	HY2020 S\$'000	HY2019 S\$'000
Operating activities		
Profit before taxation	1,816	2,165
Adjustments for:		
Depreciation of property, plant and equipment	948	887
Depreciation of right-of-use assets	583	360
Amortisation of intangible asset	195	209
Impairment of goodwill	35	-
Property, plant and equipment written off	-	2
Bad debts written off	-	70
Loss on disposal of property, plant and equipment	16	10
Reversal of allowance for doubtful debts	(29)	(232)
Interest expense	202	238
Interest income	(70)	(84)
Fair value changes on derivative financial instruments	(3)	2
Allowance for inventories and inventories written off	56	74
Share of loss from associate	-	39
Impairment in investment in associate	57	-
Operating cash flows before movements in working capital	3,806	3,740
Inventories	(1,213)	(697)
Trade and other receivables	(925)	4,690
Trade and other payables	668	(1,389)
Cash flows generated from operations	2,336	6,344
Income tax paid	(36)	(293)
Net cash from operating activities	2,300	6,051
Investing activities		
Purchase of property, plant and equipment	(221)	(478)
Proceeds from disposal of property, plant and equipment	1	29
Investment in financial assets at fair value through other comprehensive income	(970)	-
Interest received	70	84
Net cash used in investing activities	(1,120)	(365)
Financing activities		
Dividends paid	-	(1,199)
Increase in pledged fixed deposits	(1,651)	(12)
Interest paid	(191)	(203)
Repayment of lease liabilities	(573)	(371)
Repayment of bank borrowings	(421)	(414)
Net cash used in financing activities	(2,836)	(2,199)
Net (decrease) increase in cash and cash equivalents	(1,656)	3,487
Cash and cash equivalents at beginning of year	24,539	23,331
Effect of foreign exchange rate changes	1	(20)
Cash and cash equivalents at end of period⁽¹⁾	22,884	26,798

(1) Excludes pledged fixed deposit of S\$2.3 million in HY2020 (HY2019: S\$0.6 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, 2020	11,351	38,420	745	50,516	1,877	52,393
Transactions with owners, recognized directly in equity:						
Dividends payable to owners of the Company	-	(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
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

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, 2020	11,351	4,680	588	16,619
Transaction with owners, recognised directly in equity:				
Dividends paid	-	(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	-	(304)	(9)	(313)
Balance as at June 30, 2020	11,351	3,154	579	15,084
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

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 2019 and 30 June 2020	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 2019 and 30 June 2020.

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 2020	As at 31 Dec 2019
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.

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 the half year ended 30 June ("HY") 2020 as those applied in its most recently audited financial statements for the financial year ended 31 December ("FY") 2019.

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 Singapore Financial Reporting Standards (International) ("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	
	HY2020	HY2019
Profit attributable to owners of the Company (S\$'000)	995	1,620
Weighted average number of shares ('000)	235,000	235,000
Basic and diluted earnings per share (cents)	0.42	0.69

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 2020	As at 31 Dec 2019	As at 30 Jun 2020	As at 31 Dec 2019
Net asset value (S\$'000)	50,313	50,516	15,084	16,619
Number of shares ('000)	235,000	235,000	235,000	235,000
Net asset value per share (cents)	21.41	21.50	6.42	7.07

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 decreased by S\$2.3 million or 9.3% from S\$24.8 million in HY2019 to S\$22.5 million in HY2020. This was mainly attributable to a decrease in revenue from the Engineering business of S\$4.0 million, partially offset by an increase in revenue from the Training business of S\$1.7 million. The Engineering business comprises Equipment Sales, Repairs and Servicing and Projects. The decrease in revenue from the Engineering business was mainly attributed to the impact from the COVID-19 pandemic, which resulted in a decrease in demand for such products and services from our customers in Singapore, Myanmar and Malaysia. The increase in revenue from the Training business was due to a stronger revenue contribution from the hospitality online courses offered during the circuit breaker period imposed during the COVID-19 pandemic.

Other operating income increased by S\$1.5 million or 261.6% from S\$0.6 million in HY2019 to S\$2.1 million in HY2020. The increase was attributable mainly to government grants received, which includes the Jobs Support Scheme and foreign worker levy rebates in Singapore, as part of the COVID-19 support measures implemented 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, decreased by S\$0.4 million or 2.9% in aggregate, from S\$12.5 million in HY2019 to S\$12.1 million in HY2020, 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 4.4% from S\$7.0 million in HY2019 to S\$7.3 million in HY2020, mainly due to the additional headcount arising from the expansion of the Training business.

Depreciation and amortisation expenses increased by S\$0.2 million or 18.5% from S\$1.5 million in HY2019 to S\$1.7 million in HY2020, mainly due to additional depreciation charge on right-of-use assets of S\$0.2 million.

Other operating expenses decreased by S\$0.5 million or 28.3% from S\$1.9 million in HY2019 to S\$1.4 million in HY2020. The decrease was mainly due to receipt of rental relief as part of the COVID-19 support measures, reduction in travelling expenses and decrease in loss on foreign exchange.

Finance costs remains comparable to prior period with a marginal decrease of S\$0.04 million or 14.3% from S\$0.27 million in HY2019 to S\$0.23 million in HY2020.

As a result of the foregoing, profit after tax decreased by S\$0.5 million or 25.4% from S\$1.9 million in HY2019 to S\$1.4 million in HY2020.

REVIEW OF FINANCIAL POSITION

The Group's current assets increased by S\$2.1 million or 4.3% from S\$49.7 million as at 31 December 2019 to S\$51.8 million as at 30 June 2020, mainly due to an increase in trade and other receivables of S\$1.0 million and an increase in inventories of S\$1.1 million.

The Group's non-current assets decreased by S\$0.7 million or 2.3% from S\$32.0 million as at 31 December 2019 to S\$31.3 million as at 30 June 2020, mainly due to a decrease in property, plant and equipment of S\$0.8 million, a decrease in right-of-use assets of S\$0.6 million and a decrease in intangible asset of S\$0.2 million, partially offset by an increase in financial assets at fair value through other comprehensive income of S\$0.9 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 increased by S\$2.1 million or 12.4% from S\$17.2 million as at 31 December 2019 to S\$19.3 million as at 30 June 2020, mainly due to an increase in trade and other payables of S\$1.8 million and an increase in income tax payable of S\$0.4 million, partially offset by a decrease in lease liabilities of S\$0.1 million.

The Group's non-current liabilities decreased by S\$1.0 million or 8.2% from S\$12.2 million as at 31 December 2019 to S\$11.2 million as at 30 June 2020, mainly due to a decrease in lease liabilities of S\$0.5 million and repayment of bank borrowings of S\$0.4 million.

REVIEW OF CASH FLOWS

In HY2020, we generated net cash from operating activities before changes in working capital of S\$3.8 million. Net cash used in working capital amounted to S\$1.5 million mainly due to an increase in inventories of S\$1.1 million and an increase in trade and other receivables of S\$1.0 million, partially offset by an increase in trade and other payables of S\$0.6 million. As a result, net cash generated from operating activities amounted to S\$2.3 million.

Net cash used in investing activities amounted to S\$1.1 million in HY2020, mainly for purchase of property, plant and equipment of S\$0.2 million and an investment in financial assets of S\$0.9 million.

Net cash used in financing activities amounted to S\$2.8 million in HY2020, mainly due to interest payment of S\$0.2 million, increase in pledge fixed deposits of S\$1.7 million, repayment of bank borrowings of S\$0.4 million and repayment of lease liabilities of S\$0.6 million.

As a result of the above, the Group's cash and cash equivalents decreased by S\$1.7 million to S\$22.9 million in HY2020.

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 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. Through effective costs management, online transformation and the support of various government initiatives, the Group had remained resilient and managed to navigate through the widespread economic disruptions to-date, recording a profit before tax of approximately S\$1.8 million for HY2020.

Notwithstanding the profitable performance in HY2020, the uncertainty and poor economic visibility moving forward would necessarily require management to continue being nimble and bold as we steer the Group through turbulent times whilst balancing diverse stakeholders' expectations.

For the Engineering business, we envisage continued weakness of retail demand for equipment for the rest of 2020. However, the scheduled deliveries of customised equipment from our current order book should help mitigate some of the equipment demand weakness. Equipment service and repairs should improve in the next 6 months as the Singapore economy ends its circuit breaker and gradually opens. As such and barring further economic fallout, the management envisages that the Engineering business in Singapore should stabilise in the second half of 2020 with the gradual opening of the Singapore economy. However, we expect the Engineering business in Malaysia to remain sluggish for the rest of 2020 and beyond due to the adverse impact of COVID-19 and unstable political situation.

For the Training business, we envisage demand for industrial courses to be weak until the construction sector fully opens and foreign workers are allowed back into the workforce. Whilst the management expects the hospitality and human capital training business segments to gradually improve as the economy 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 its healthy balance sheet, robust liquidity, efficient order book execution and low financial gearing, the management is confident of leading the Group in riding through the widespread economic disruptions together. The management will continue to look out for synergistic alliance and strategic partnerships so that the Group can emerge from the crisis stronger. In July 2020, the Group made its first foray into the private education business by completing its 100% acquisition of HTMi Hotel and Tourism Management Institute Pte. Ltd.

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/recommendeded by the board of directors (“**Board**” or “**Directors**”) of the Company in respect of HY2020. The Directors will review the Group’s financial performance at the end of the current financial year ending 31 December 2020 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 HY2020.

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 HY2020 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

14 August 2020

*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 Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.