ANNUAL REPORT 2020

WONG FONG
INDUSTRIES

wongfongindustries.com

CONTENTS

CORPORATE PROFILE

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

Its manufacturing facilities in Singapore and Malaysia have a combined land area of approximately 16,500 square metres. Other than its core load handling business, it also furnishes clients with innovative waste management systems as well as assistive technology and mobility aids.

Wong Fong also provides unique customised solutions, in which the Advanced Engineering Team will partner closely with the client to understand, engineer and prototype the required solutions prior to production. Having one of the largest and most advanced service centres for hydraulic and mechanical equipment, clients are assured of competent after sales service. Wong Fong Academy Pte. Ltd. ("**WFA**") completes the solution by providing targeted training for users of these equipment so as to ensure that operational competency and safety standards are met.

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

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

OUR BUSINESS

TRAINING

- Provides more than 80 courses under its curriculum, many of which are Singapore Workforce Skills Qualifications-accredited, as well as hospitality consultancy services and info-communication technology sector.

- Courses include, among others, skill and safety-related training for diverse sectors such as industrial engineering, construction, food and beverage, security and cleaning as well as heavy industries comprising of oil and gas, shipyard as well as marine and logistics.

- To date, we have trained more than 90,000 workers in Singapore.

- Both WFA and Ascendo Academy Pte. Ltd. are Approved Training Organisations under the Workforce Skills Qualifications Framework.

- We should be consolidating our training, education, human capital and consultancy business entities under 1SG, a single integrated human capital development platform that is committed to empower and develop an agile and innovative workforce.

7 COMPANIES

TRAINED MORE THAN 90,000 STUDENTS

MORE THAN 80 COURSES

ENGINEERING

EQUIPMENT SALES

- Range includes truck-mounted cranes, tailgates, tippers, self-loaders, hookloaders, portable compactors and canopy.

- Dealership for:

  ALKÉ (Italy)
  BRAUNABILITY (United States)
  COMETTO (Italy)
  CONTENUR (Spain)
  DHOLLANDIA (Belgium)
  HEKTOR (In-House Brand)
  HIDRO-MAK (Turkey)
  OMB (Italy)
  PALFINGER (Austria)
  PÖTTINGER (Austria)
  ROLL-RITE (United States)
  SAMMITR (Thailand)
  SANY PALFINGER (China)
  SPRING MACHINE CONTROL (Italy)
  STRAUTMANN (Germany)
  TANA (Finland)
  TP CHIPPER (Denmark)
  VEI (Italy)
  ZUKUN (In-House Brand)

ADVANCED ENGINEERING & SYSTEM SOLUTIONS

- Lead by the Group's Chief Technical Officer, our Advanced Engineering team consists of industrial designers, engineers and technicians who constantly uses innovative industrial solutions for various projects.

- Handles customisation of unique transport solutions for homeland defence & security.

- Focus areas for product and service development include:
  - Homeland defence & security
  - Urban material regeneration
  - Specialised vehicles
  - Electric-mobility

- Products developed include:
  - ZUKUN solutions for smart compactor
  - On-board weighing system
  - Crane stability control system

REPAIRS AND SERVICING

- Specialises in before and after sales services and installation of load handling and waste management systems, assistive technology as well as mobility aids for transportation vehicles.
- Operates one of the largest services centres for truck-mounted cranes, hookloaders and tailgates in Singapore.
- With a team of qualified and experienced servicing staff to handle equipment breakdowns and servicing needs.
- On 24-hour standby mobile service team that carries out on-site servicing and inspections.
- Certified by the Singapore Accreditation Council to inspect and certify hookloaders and open-top container bins.

PROJECTS

- Provides functional design, customisation, fabrication and integration services to meet the specific requirements of customers from different industrial segments.
- Provides customers with enhanced and innovative engineering and industrial solutions from our Advanced Engineering Team.

ONE OF THE LARGEST SERVICES CENTRES IN SINGAPORE

24 HR MOBILE SERVICE TEAM

19 BRANDS

A MESSAGE FROM OUR CHAIRMAN AND GROUP CEO

PAO KIEW TEE
Independent Chairman

JAMES LIEW
Co-Founder and Group Chief Executive Officer

Dear Shareholders,

On behalf of the Company's board of directors ("**Board**" or "**Directors**"), we would like to thank you for your support in a very challenging year 2020.

We are pleased to present Wong Fong's annual report for the financial year ended 31 December ("**FY**") 2020. Singapore is still in the midst of overcoming the COVID-19 pandemic. With global vaccination currently in progress and the gradual controlled partial resumption of economic and social activities in Singapore, the Group envisages the next 12 months to be challenging but more manageable. Accordingly and barring any further worsening of the pandemic, we anticipate gradual normalization of the Group's business activities.

The Engineering business continues to face headwinds from the impact of the COVID-19 pandemic, which had resulted in a decrease of 17.2% in revenue. This was partially offset by a 13.3% increase in revenue from the Training business. The Training business continues to increase its contribution to the Group's FY2020 profit. In FY2020, the Training business further diversified into the private education business via the acquisition of Hospitality and Tourism Management Institute Pte Ltd ("**HTMi**") in Singapore. The principal activities of HTMi is a private higher education institute for the hospitality and tourism industry.

Shareholders should also be pleased to know that the Group had proposed a 0.43 Singapore cents per share as dividend for FY2020.

FY2020 PERFORMANCE REVIEW

The global economy in FY2020 was decimated by the protracted COVID-19 pandemic. Singapore, being an open economy, was adversely affected and the Singapore economy contracted by 5.4% in 2020 against a 1.3% growth for 2019. Through close collaboration with our valued partners, government support schemes and tight cost control measures - including a 10% voluntary pay cut for the management team in April and May 2020 and a 10% cut in fees for the Non-Executive and Independent Directors, the Group delivered a net profit attributable to owners of the Company of S$2.1 million and revenue of S$49.3 million in FY2020, against a net profit attributable to the owners of the Company of S$2.3 million and revenue of S$54.5 million for FY2019.

Overall revenue decreased by S$5.2 million or 9.6% from S$54.5 million in FY2019 to S$49.3 million in FY2020. This was mainly attributable to a decrease in revenue from the Engineering business of S$7.0 million, partially offset by the increase in revenue from the Training business of S$1.8 million. The Engineering business comprises Equipment Sales, Repairs and Servicing, and Projects. The decrease in demand in 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 uptake of online courses offered by the Group during Singapore's circuit breaker period.

"THE COVID-19 PANDEMIC VALIDATED AND FAST TRACKED OUR ONLINE EDUCATION STRATEGY...

REJUVENATING, REINVENTING AND REPOSITIONING

Continuing our efforts to incorporate SMART technology and solutions into our products, the Group intends to set up a digital solution task force within the Engineering business to directly partner clients in exploring and evaluating more efficient and effective work solutions. Through these efforts, we envisage that Wong Fong will be their partner of choice in building sustainable businesses for the long term. In addition, we will continue to explore horizontal and vertical supply chain integrations opportunities.

The COVID-19 pandemic validated and fast tracked our online education strategy by enabling us to quickly adapt and switch to online courses during the circuit breaker period. In addition, the Training business expanded into the private education business in 2020 through the acquisition of HTMi, a school specializing in hotel and tourism management.

Based on the above, we expect Wong Fong to be well-positioned to fully benefit from an economic recovery.

OUTLOOK FOR FY2021

Given that Singapore slipped into a recession in 2020 arising from global uncertainties and the COVID-19 pandemic, we expect 2021 to be as challenging due to the uneven recovery rates throughout the world. Nonetheless, we expect to be better prepared moving forward and anticipate the gradual recovery and normalisation of the Engineering business in Singapore. However, the recovery for our Engineering business in Malaysia and Myanmar is likely to be delayed by the prolonged movement control order in most parts of Malaysia and the unstable political situation in Myanmar.

In addition, we anticipate for the Training business to continue its expansion as it increases the diversity of courses and suite of services offered whilst actively looking for synergistic partnerships.

Barring any unforeseen circumstances, the management will continue to closely monitor and streamline its operations whilst actively investing in strategic alliances and most importantly, its employees and the grooming of potential future leaders.

APPRECIATION

Last but not least, we would like to thank all our shareholders for their continued confidence, our business partners and customers who have given us their unwavering support and all our colleagues for their hard work, dedication and sacrifices during these trying times.

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

Pao Kiew Tee
Independent Chairman

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


WONG FONG
54,537
49,278

OPERATIONS AND FINANCIAL REVIEW

REVIEW OF INCOME STATEMENT

In FY2020, the Group's revenue decreased by S$5.2 million or 9.6% to S$49.3 million from S$54.5 million in FY2019. Contribution from the Engineering segment declined by S$7.0 million or 17.2% to S$34.0 million in FY2020 from S$41.0 million in FY2019 due 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.

However, the Training segment garnered improved revenue of S$15.3 million in FY2020, an increase of 13.3% or S$1.8 million as compared to S$13.5 million in FY2019. The healthy performance of the Training segment was achieved on the stronger uptake of online courses offered by the Group during Singapore's circuit breaker period.

During the year, other operating income of the Group increased by S$3.7 million to S$4.4 million from S$0.7 million in FY2019 mainly due to increase in government grants received, such as the Jobs Support Scheme and foreign worker levy rebates in Singapore, as part of the COVID-19 support measures introduced by the Singapore government.

Meanwhile, changes in inventories of finished goods and work-in-progress, as well as materials and consumables used and other direct costs, decreased by S$1.9 million or 6.4% to S$27.7 million in FY2020 from S$29.6 million in FY2019. This was 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$0.8 million or 4.9% from S$15.1 million in FY2019 to S$15.9 million in FY2020 due to the additional headcount arising from the expansion of the Training business.

Depreciation and amortisation expense also increased by S$0.6 million or 20.7% to S$3.6 million in FY2020 mainly due to additional depreciation charge on right-of-use assets.

Impairment losses on financial assets decreased by S$0.1 million or 38.1% from S$0.3 million in FY2019 to S$0.2 million in FY2020 due to decline in bad debts written off.

The Group's other operating expenses decreased by S$0.7 million or 19.2% to S$3.0 million in FY2020 from S$3.7 million in FY2019. The decrease was mainly due to receipt of rental relief as part of the COVID-19 support measures introduced by the Singapore government, reduction in travelling expenses and decrease in impairment on inventories.

At the same time, finance costs remain relatively stable at S$0.5 million in both FY2019 and FY2020.

In view of the above, the Group's profit after tax increased by S$0.2 million or 9.4% to S$2.5 million in FY2020 from S$2.3 million in FY2019.

	FY2020	FY2019	Change
	S$'000	S$'000	%
Revenue	**49,278**	54,537	(9.6)
Other operating income	**4,442**	663	NM
Changes in inventories of finished goods and work-in-progress, and materials and consumables used and other direct costs	**(27,706)**	(29,598)	(6.4)
Employee benefits expense	**(15,886)**	(15,141)	4.9
Depreciation and amortisation expense	**(3,648)**	(3,022)	20.7
Impairment losses on financial assets	**(218)**	(352)	(38.1)
Other operating expenses	**(2,959)**	(3,663)	(19.2)
Share of results of associate	**(57)**	(62)	(8.1)
Finance costs	**(460)**	(521)	(11.7)
Profit before tax	**2,786**	2,841	(1.9)
Income tax expense	**(278)**	(548)	(49.3)
Profit for the year	**2,508**	2,293	9.4
Profit attributable to owners of the Company	**2,073**	2,267	(8.6)

REVIEW OF FINANCIAL POSITION

As at 31 December 2020, the value of the total assets of the Group increased by S$3.8 million to S$85.5 million, while total liabilities of the Group increased by S$2.9 million or 9.9% to S$32.2 million.

Current assets increased by S$2.9 million or 5.8% to S$52.6 million as at 31 December 2020 from S$49.7 million as at 31 December 2019 mainly attributable to an increase in cash and bank balances of S$0.1 million, an increase in inventories of S$1.2 million and an increase in trade and other receivables of S$1.6 million.

The Group's non-current assets increased by S$0.9 million or 2.8% to S$32.9 million as at 31 December 2020 from S$32.0 million as at 31 December 2019. This was mainly from due to an increase in investments in equity and debt instruments of S$3.4 million, partially offset by a decrease in property, plant and equipment of S$1.6 million, a decrease in right-of-use assets of S$0.5 million and a decrease in intangible asset of S$0.4 million.

Meanwhile, current liabilities of the Group increased by S$2.7 million or 15.8% to S$19.9 million as at 31 December 2020 from S$17.2 million as at 31 December 2019. This was mainly due to an increase in trade and other payables of S$2.1 million, an increase in lease liabilities of S$0.4 million and an increase in bank borrowings of S$0.2 million.

As at 31 December 2020, non-current liabilities increased by S$0.2 million or 1.6% to S$12.3 million from S$12.2 million as at 31 December 2019. This was attributed to an increase in bank borrowings of S$1.2 million, partially offset by a decrease in lease liabilities of S$0.9 million and a decrease in deferred tax liabilities of S$0.1 million.

S$'000	As at 31 Dec 2020	As at 31 Dec 2019
Current assets	**52,602**	49,704
Non-current assets	**32,910**	32,020
Total assets	**85,512**	81,724
Current liabilities	**19,891**	17,177
Non-current liabilities	**12,343**	12,154
Total liabilities	**32,234**	29,331
Share capital	**11,351**	11,351
Retained earnings	**39,271**	38,420
Reserves	**336**	745
Non-controlling interest	**2,320**	1,877
Total equity	**53,278**	52,393

REVIEW OF CASH FLOWS

In FY2020, the Group generated net cash from operating activities before changes in working capital of S$6.8 million. Net cash used in working capital amounted to S$0.6 million mainly due to an increase in trade and other receivables of S$1.6 million and an increase in inventories of S$1.1 million, partially offset by an increase in trade and other payables of S$2.1 million. We also paid income tax of S$0.4 million. As a result, net cash generated from operating activities amounted to S$5.7 million.

Net cash used in investing activities amounted to S$4.1 million in FY2020, mainly due to purchases of property, plant and equipment of S$0.4 million, net cash outflow on acquisition of subsidiaries of S$0.1 million, purchase of financial assets measured at fair value through profit or loss of S$2.6 million, purchase of quoted debt securities measured at fair value through other comprehensive income of S$0.7 million and investments in equity instrument designated at fair value through other comprehensive income of S$0.5 million, partially offset by interest received of S$0.1 million and proceeds from disposal of quoted shares of S$0.1 million.

Net cash used in financing activities amounted to S$1.1 million in FY2020, mainly due to payment of dividends of S$1.2 million, repayment of bank borrowings and lease liabilities of S$4.9 million in aggregate and interest paid of S$0.4 million, partially offset by a decrease in pledged fixed deposits of S$0.4 million and drawdown of bank borrowings of S$5.0 million.

As a result of the above, the Group's cash and cash equivalents increased by S$0.5 million to S$25.1 million in FY2020.

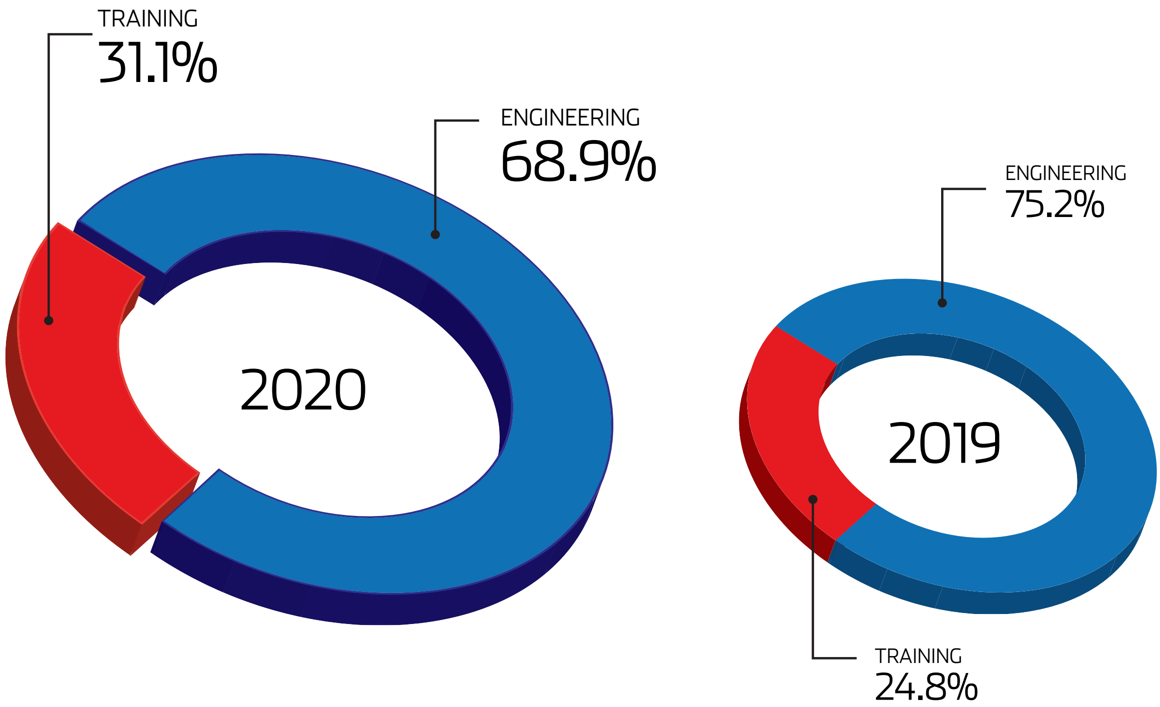
	FY2020	FY2019
	S$'000	S$'000
Net cash flows generated from operating activities	**5,747**	5,708
Net cash flows used in investing activities	**(4,138)**	(1,270)
Net cash flows used in financing activities	**(1,067)**	(3,217)
Cash and cash equivalents at beginning of the year	**24,539**	23,332
Net increase in cash and cash equivalents	**542**	1,221
Effect of foreign exchange rate changes	**(5)**	(14)
Cash and cash equivalents at end of the year (1)	**25,076**	24,539

(1) Excludes pledged fixed deposits of S$213,000 (FY2019: S$639,000)

FINANCIAL HIGHLIGHTS

Financial Year Ended 31 December

REVENUE CONTRIBUTION BY BUSINESS (%)



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

Revenue

S$'million	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
	49.3	54.5	56.5	67.3	70.2	77.6

Net profit attributable to owners of the Company

S$'million	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
	2.1	2.3	2.3	4.3	3.6	5.6


ENGINEERING
68.9%
Aug
Sep
25,076.00
53,278.00
2,073
TRAINING
31.1%

BOARD OF DIRECTORS

PAO KIEW TEE

Independent Chairman

Date of first appointment: 28 June 2016
Date of last re-election: 25 June 2020
Chairman: Audit Committee
Member: Nominating Committee and Remuneration Committee

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

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

LIEW AH KUIE (JAMES LIEW)

Co-Founder and Group CEO

Date of first appointment: 2 January 2015
Date of last re-election: 25 June 2020

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

LIEW CHERN YEAN
Executive Director

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

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

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

LEW CHERN YONG (ERIC LEW)
Non-Executive Non-Independent Director

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

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

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

WONG CHIT CHONG
Independent Director

Date of first appointment: 9 May 2018
Date of last re-election: 29 April 2019
Chairman: Nominating Committee and Remuneration Committee
Member: Audit Committee

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Yeoh Kar Choo Sharon, ACIS

REGISTERED OFFICE

79 Joo Koon Circle
Singapore 629107
Tel: (65) 6861 6555
Fax: (65) 6861 3230
www.wongfongindustries.com

SPONSOR

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

AUDITOR

Deloitte & Touche LLP
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

AUDIT PARTNER-IN-CHARGE

Hoe Chi-Hsien
Appointed since financial year 2016

INVESTOR RELATIONS

Wong Fong Industries Limited
investors@wongfong.com

EXECUTIVE OFFICERS

JACK WONG
Chief Financial Officer

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

CHIA KAH LAM
Operations Director

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

EXECUTIVE OFFICERS

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

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

LIU SHANNI
Director of Group Business Development and Information Technology

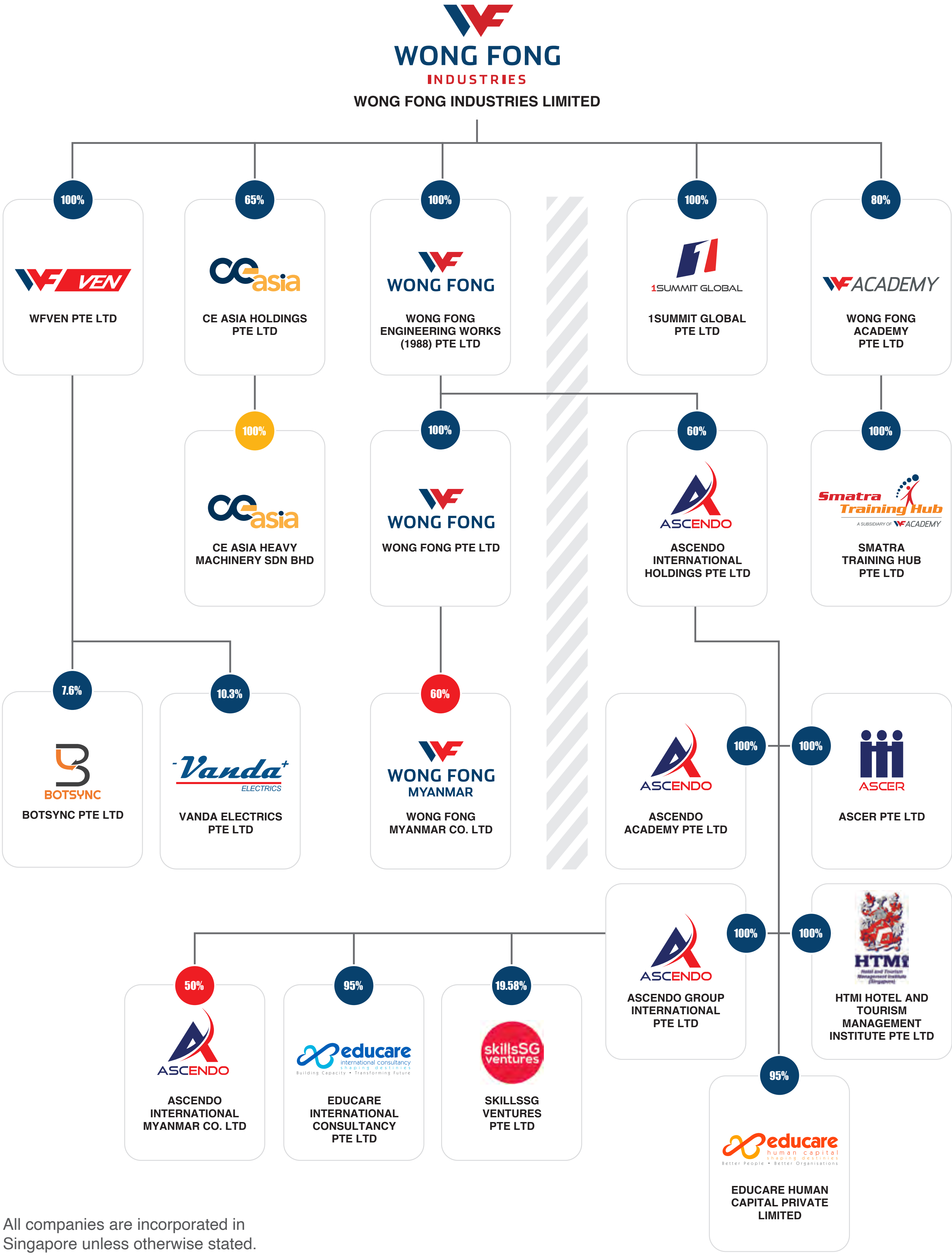
Mr Liu Shanni joined the Group in 2010 and subsequently took various managerial positions, before being promoted to Director of Group Business Development and Information Technology in 2019. He has more than 15 years of experience in the business of load handling systems especially on tailgate and waste handling aspect. He is primarily responsible for overseeing and managing the Group's business development and information technology. He also oversees the pre-delivery inspection service business. Prior to joining the Group, Mr Liu was a retail executive with Telecom Equipment Pte. Ltd. from 2007 to 2009.

ALBERT LEE
Sales Director

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

CORPORATE STRUCTURE

(As at 31 December 2020)



All companies are incorporated in Singapore unless otherwise stated.

Malaysia Myanmar

SUSTAINABILITY AT WONG FONG

ABOUT THE REPORT

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

We believe that a sustainable business strategy is integral to the growth and progress of the Group. With this in mind, we embarked on our plan to align our process strategy with environmental-social objectives to build a sustainable business for our future generations. The sustainability performance data presented in this report covers the period from 1 January 2020 to 31 December 2020, with FY2020 and FY2019 performance included for comparison, where possible.

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

We have not sought external assurance for this sustainability report.

SUSTAINABILITY AT WONG FONG

BOARD STATEMENT

We are pleased to present Wong Fong's fourth sustainability report, which outlines our approach to sustainability as well as our performance for the reporting period, FY2020.

2020 is one of the most challenging years for Wong Fong since establishment due to the COVID-19 pandemic. However, it is also during this difficult period that we recognise the importance of Wong Fong's role to provide relevance and values beyond the financial performance for our stakeholders.

During COVID-19 pandemic, Wong Fong implemented additional measures to ensure all stakeholders' health are the utmost priority.

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

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

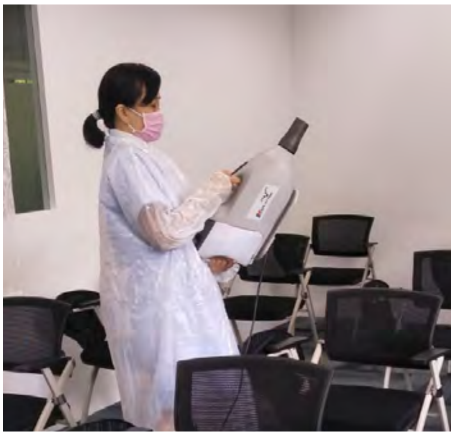
Wong Fong acts in our shareholders' long-term interest through continuing efforts to be financially prudent whilst managing our risks (business strategy, financial, operational, compliance and information technology). We seek to continuously improve Wong Fong's performance in key sustainability areas.

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

During COVID-19 pandemic, Wong Fong implemented additional measures to ensure all stakeholders' health are the utmost priority.

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

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



SUSTAINABILITY AT WONG FONG

OUR SUSTAINABILITY FRAMEWORK

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

The sustainability framework sets out the sustainability priorities for Wong Fong towards the future. To better integrate sustainability across Wong Fong, our approach to materiality has evolved to be in line with the GRI framework as it is a common language for sustainability reporting and multi-stakeholder consensus. We seek to engage our stakeholders (who include shareholders, employees, suppliers, customers and the management) using all available communication channels and platforms. Most of the data collected are from our main engineering subsidiary, Wong Fong Engineering Works (1988) Pte. Ltd. ("**WFE**") which accounted for approximately 67% of our revenue. We will extend data collection to our other subsidiaries in Malaysia and Myanmar in the near future.

Further information on our ESG which are part of sustainability, can be found on pages 29 to 42. This sustainability report is prepared for FY2020.

SENIOR MANAGEMENT ENGAGEMENT

To achieve organizational success in sustainability integration within the business requires the top-level alignment and sits highly on the management agenda in strategic planning.

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

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

SUSTAINABILITY AT WONG FONG

STAKEHOLDER ENGAGEMENT

Our stakeholders provide valuable feedback to shape the way we enhance their experience when interacting with Wong Fong. We constantly engage our stakeholders through various channels to understand the sustainability issues that matters to them.

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

SUSTAINABILITY AT WONG FONG

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

MATERIALITY ASSESSMENT

In FY2017, we conducted a materiality assessment and identified 9 material ESG topics that are material to the business and our stakeholders. The Group has adopted the materiality matrix approach to identify and prioritise key sustainability material topics. Questionnaire feedback was gathered from stakeholders which formed the basis for determining Wong Fong's materiality matrix. All issues will be reviewed on an ongoing basis.

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

2018

Review

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

2019

Review

Wong Fong reviewed the 9 material topics to ensure their relevance to the business and their alignment with our Group.

2020

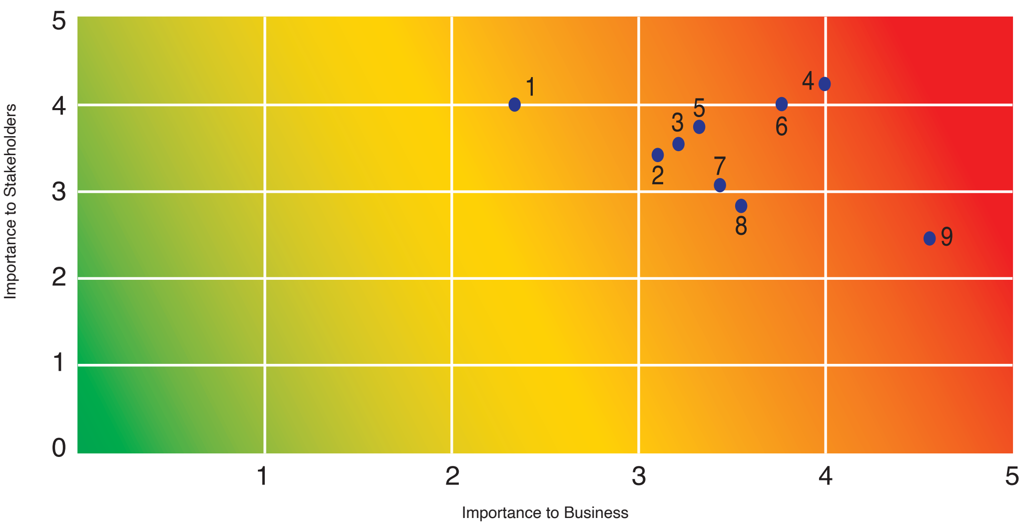
Review

In this reporting period, Wong Fong conducted another review to ensure the 9 material topics remain relevant across our Group. There are improved disclosures for material matters, including:
• Expanding disclosure on health and safety for stakeholders by including measures taken to ensure their health and safety.
• Disclosures on the impact and response to COVID-19.

SUSTAINABILITY AT WONG FONG

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

MATERIAL TOPICS



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

SUSTAINABILITY AT WONG FONG

1. ETHICS & INTEGRITY

Ethics and integrity are critical to building trust between our stakeholders and management. We believe that every employee is a reflection of ourselves and it is vital that all employees embody our values and conduct themselves in a professional and ethical manner at all times. All policies are communicated to our employees through onboarding programmes and annually. Wong Fong have many policies in place to govern the behaviour and actions taken by the employees in the Group.

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

All policies are made known to all relevant stakeholders during orientation process and reviewed by the Board. These policies are regularly being reviewed and updated as and when required. For FY2021, Wong Fong's Training business plans to establish an on-boarding process of referral partners policy, to have a process on having these partners to confirm on whether there are any known related party relationships with the Company or with any of its Directors/ key management or personnel etc.

Target	Target performance for FY2021	Performance for FY2020	Performance for FY2019
Significant reported cases of misconduct	Zero	Zero	Zero
Corruption case	Zero	Zero	Zero
Whistle blowing case	Zero	Zero	One

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

2. COMPLIANCE WITH REGULATION

Wong Fong has identified the main laws and regulations that materially affect our operations and the relevant regulatory bodies in Singapore, Malaysia and Myanmar. The Group has implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis. There was no incidence of non-compliance with laws and/or regulations in the social and economic area in FY2020 and FY2019. For FY2021, we target to have no incidence of non-compliance with laws and/or regulations in the social and economic area.

3. GOVERNANCE & ACCOUNTABILITY

Wong Fong maintains a high standard of integrity, accountability and responsible governance and adheres to the Code of Corporate Governance 2018 and the Catalist Rules. Wong Fong complies with internal policies and internal audit processes which includes business conduct, insider dealing, risk management and fraud. More details on Corporate Governance can be found in pages 49 to 68 of the annual report.

4. RISK MANAGEMENT

Business & Strategy Risks

Strategy Risks

DESCRIPTION OF RISKS

- The Group is exposed to risks associated with its expansion plans such as mergers and acquisitions and setting up new business units.
- Accordingly, the Group will not be able to provide assurance that all its future plans will be successful.

MANAGING OF RISKS

- All new business collaborations, mergers and acquisitions are discussed robustly with the Board and senior management.
- Independent and legal due diligence, if applicable, are performed and presented to the Board and senior management before any deal completion.

Competition Risks

DESCRIPTION OF RISKS

- Wong Fong operates in a competitive environment and faces competition from new and existing competitors based in Singapore and elsewhere.
- The principal competitive factors for the industry and the environment that we operate in include product quality, after-sales service, turnaround time, speed of delivery and pricing.
- Our customers do not commit to definite and long-term purchase contracts for the various products and services we provide thus customers may also decide to make purchases from our competitors.

MANAGING OF RISKS

- The Group strives to maintain competitiveness through carrying a wide range of products, maintaining a high level of engineering expertise and design capabilities, value brands and high levels of customer service.
- Employees are regularly sent for skills upgrading and product knowledge training. Outstanding employees are provided with scholarship and they return to serve the Group thereafter.

Market & Political Risks

DESCRIPTION OF RISKS

- The Group currently operates in 3 countries and is exposed to inherent risks in doing business overseas such as unexpected changes in legislation, regulatory requirements and government policies.
- In addition, the business operations are also dependent on the economic, political, legal and other conditions in these countries.
- Highly dependent on the level of activities in the infrastructure development, logistics, waste management and defence industries.

MANAGING OF RISKS

- The Group monitors key economic indicators and keeps itself updated on business affected by policy changes.
- Close monitoring of the outlook of related industries in Singapore and overseas.
- Diversifying its business outside Singapore and expanding its range of services (e.g. training) would mitigate country and industry risks.

Regulatory Risks

DESCRIPTION OF RISKS

- Our business is subject to various laws, rules and regulations in the countries that we operate in.
- In addition, we require various licenses, permits and approvals to operate our business.

MANAGING OF RISKS

- The Group maintains close working relationships with the relevant statutory bodies, professionals and consultants to keep abreast with any regulatory changes.
- All necessary licenses, permits and approvals are obtained and renewed on a timely basis in accordance with applicable rules and regulations.

Reputation Risks

DESCRIPTION OF RISKS

- The Group may face negative publicity if there is mishandling of transactions or events.

MANAGING OF RISKS

- The Group values its reputation and has put in place an open communication programme to ensure timely and effective communication of key information to its stakeholders.
- Investor relations contacts are published in our corporate website to further strengthen the communication with stakeholders.
- Key issues are surfaced to the management early in order to minimise the potential reputation fallout.

SUSTAINABILITY AT WONG FONG

Business Continuity Risks

DESCRIPTION OF RISKS

- An organisation may face unforeseen incidents or disasters which prevent the continuation of the business operations.

MANAGING OF RISKS

- The Group seeks to mitigate the business continuity risks via country and business diversifications in order to reduce the potential impact from the fallout of any business unit.

- The Group forms a Business Continuity Plan ("**BCP**") Taskforce to deal with unforeseen incidents or disasters.

Foreign Labour Risks

DESCRIPTION OF RISKS

- Dependent on foreign labour and may face labour shortages or increased costs of labour for Singapore and overseas operations.

MANAGING OF RISKS

- The Group seeks to innovate and increase the usage of productivity methods and processes via training and equipment upgrading.

- The Group intends to increase the recruitment and training of locals wherever possible.

Intellectual Property Rights Risks

DESCRIPTION OF RISKS

- Subject to claims for infringement of third parties' intellectual property rights or may not be able to protect intellectual property rights.

MANAGING OF RISKS

- The Group has registered, and has applied to register trademarks and patents in Singapore to ensure protection of intellectual property rights.

Financial Risks

Liquidity Risks

DESCRIPTION OF RISKS

- The Group funds its growth and operations through a combination of shareholders' equity (including accumulated profits), net cash generated from operating activities and bank borrowings.

MANAGING OF RISKS

- The Group monitors its net operating cash flow regularly and maintains a level of cash and cash equivalents that is required to meet its daily working capital needs.

- In addition, the Group manages debt financing proactively to ensure financing requirements are met as and when required.

- There are existing standing arrangements with the Group's bankers to furnish credit and working capital lines when required.

Foreign Exchange Risks

DESCRIPTION OF RISKS

- The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the entities within the Group.

MANAGING OF RISKS

- The Group undertakes hedging transactions to minimise foreign exchange rate fluctuations.
- The Group also works closely with the bank's treasury department to ensure that forex exposure is minimised. Wherever viable, the Group would adopt similar foreign currency for the buying and selling of the imported product.

Credit Risks

DESCRIPTION OF RISKS

- Credit risk arises as there are uncertainties over the timeliness of customer's payments and their ability to meet their contractual payment obligations to the Group.

MANAGING OF RISKS

- The credit terms to customers are determined on a case-by-case basis depending on, amongst others, their credit and payment histories.
- Major issues, if any, are highlighted during monthly sales and management meetings.
- Outstanding receivables are monitored and followed up closely by the finance department. Delinquent accounts are flagged up for further actions.

Interest Rate Risks

DESCRIPTION OF RISKS

- The Group is exposed to interest rate fluctuations from bank borrowings.

MANAGING OF RISKS

- The Group's cash balances are placed with reputable banks.
- The Group regularly reviews and, where possible, restructures, its loans to ensure that borrowing costs are minimised.

Capital Structure Risks

DESCRIPTION OF RISKS

- In managing capital, the Group's objective is to ensure the going concern of the Group and to maintain an optimal capital structure.
- The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings.

MANAGING OF RISKS

- The Group pools its cash resources and regularly monitors its debt and equity levels and, by doing so, aims to minimise the Group's cost of capital.
- In order to maintain or achieve an optimal capital structure, the Group may issue new shares, reduce external borrowings and/or adjust the dividend payment to shareholders.

Price Risks

DESCRIPTION OF RISKS

- Material costs may fluctuate in accordance with changes in global supply and demand.
- A significant rise in the prices of materials may adversely affect the Group's profit margin.

MANAGING OF RISKS

- The Group manages its price risks by fixing its material prices upon contract confirmation and may have a price adjustment arrangement with its supplier and/or clients should there be substantial fluctuations in the prices.

Cost Overruns Risks

DESCRIPTION OF RISKS

- Unforeseen additional costs such as price fluctuations, increase in labour costs and/or omission in estimation of internal costing may arise.

MANAGING OF RISKS

- Key project costings are reviewed and approved by senior managers and where applicable, the management team. Material costs are locked in with the respective suppliers upon contract confirmation.
- Work-in-progress and labour costs are monitored on a regular basis to minimise and contain any potential cost overrun.

Operational Risks

Operational Risks

DESCRIPTION OF RISKS

- The Group's operations are exposed to the risk of equipment failure, risk of failure by employees to follow procedures and protocols as well as inherent risks in operating equipment and machinery, resulting in damage to or loss of any relevant machines, equipment or facilities required in a project or personal injury.

MANAGING OF RISKS

- The Group strives to minimise unexpected losses and manages losses through standard operating procedures.
- The Group has been awarded ISO 9001:2008 and ISO 17020:2012 certification locally.
- It has also achieved ISO 14001:2004 certification for its environmental management system to preserve natural resources and minimise wastage.

People Risks

DESCRIPTION OF RISKS

- The Group is dependent on key management and skilled personnel for its continual success and growth. The success and growth to-date is largely attributed to the contributions and expertise of the Executive Directors and key management personnel, all of whom have extensive experience in the Group's business and relevant industries.
- Resignation and loss of the services of any Executive Directors or key management personnel without suitable and timely replacement or the inability to attract and retain qualified management personnel, may materially and adversely affect the Group's business, results of operations and prospects.

MANAGING OF RISKS

- The Group provides employees with career development opportunities and work-life balance so as to ensure that human capital are nurtured and retained. Succession plans for senior management will be reviewed regularly by the Board.
- Talented employees are identified and groomed to take on managerial positions early in their career.
- Outstanding employees are given fully paid overseas and local scholarships that require service of a bond upon completion.

SUSTAINABILITY AT WONG FONG

Alliance Risks

DESCRIPTION OF RISKS

- Distribution arrangements with major suppliers may be terminated by suppliers upon serving the requisite notice.
- No assurance that the Group will be able to renew these arrangements on acceptable terms and that these arrangements may be terminated prematurely or modified to the Group's detriment for whatever reasons.
- The loss of the distributorship without suitable replacement may have an adverse impact on the Group's results of operations and financial position.

MANAGING OF RISKS

- The Group maintains cordial working relationships with business partners and agrees with business partners in advance on the duties and obligations of each party.
- Other than trading of the products it distributes, the Group also provides after-sales service and maintenance support to its customers, hence adding value to both the suppliers and customers.

Insurance Risks

DESCRIPTION OF RISKS

- The Group's existing insurance coverage may not be sufficient to indemnify against losses in all events.
- The occurrence of certain incidents, including fraud, misconduct committed by employees or third parties, severe weather conditions, earthquakes, fire, war, flooding and power outages may not be covered adequately.

MANAGING OF RISKS

- The Group conducts insurance review with insurance agents on annual basis to ensure adequate and comprehensive insurance coverage.

Litigation Risks

DESCRIPTION OF RISKS

- The Group is exposed to the risk of litigation by customers, suppliers, employees and other persons, including the risk of joint third parties to litigation actions or involvement in frivolous claims.
- The Group may incur additional costs in the event of disputes, claims, defects or delays and claims for infringement of third parties' intellectual property rights.

MANAGING OF RISKS

- All contracts and agreements are reviewed via a 4-eye principle process.
- Material contracts and agreements are reviewed and approved by 2 management team members prior to signing.
- The management would consult legal professionals should there be a need.
- The management would purchase insurance as required by law.

Delivery Risks

DESCRIPTION OF RISKS

- Dependent on the timely delivery of the load handling systems, waste management systems and other related engineering equipment and products distributed.
- Any significant delay or disruption in the delivery of products by suppliers may result in material adverse impact on the business.

MANAGING OF RISKS

- Any significant delivery delay is usually highlighted to the supply chain in advance. Thereafter, the Group would work closely with the clients and suppliers to ensure that any potential business disruptions are minimised. If absolutely necessary, the supplier may decide to utilise airfreight or liaise with other customers globally for an equipment swap or loan.

Quality Control Risks

DESCRIPTION OF RISKS

- Wong Fong's projects are subject to stringent international quality codes and standards and certification for quality control.

MANAGING OF RISKS

- The Group ensures that the products sold comply with stringent quality control codes and standards prescribed by international professional bodies and industry institutions.
- The Group ensures that the products it sources and their manufacturers' processes and quality control regime comply with the rigorous international standards and certifications required by customers.

Health and Safety Risks

DESCRIPTION OF RISKS

- Workplace hazards may cause serious injury or result in a loss of life.
- Workplace hazards include moving parts of machinery, working at heights, slippery floors, electric energy, excessive noise, toxic or flammable substances, and lifting heavy objects.

MANAGING OF RISKS

- The Group has set up a Workplace, Safety & Health ("**WSH**") committee to control and monitor such risks, as well as communicating them to all employees.
- The WSH committee identifies safety and health hazards associated with work, assesses the level of risks involved, and prioritises measures to mitigate the potential hazards.
- The WSH committee meets regularly to control and monitor health and safety risks and ensures the risks identified are communicated to employees. Any significant health and safety risks are highlighted to the management.
- Employees will be sent for health and safety re-training.

SUSTAINABILITY AT WONG FONG

Compliance Risks

Compliance Risks

DESCRIPTION OF RISKS

- Wong Fong is subject to various laws, rules and regulations in the countries it operates in such as the continuing listing obligations of the SGX-ST and the Companies Act.

MANAGING OF RISKS

- The Company has implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis.
- Whistle-blowing policy and annual declaration by staff on ethics had been implemented.
- Other than the engagement of statutory auditors, the Group also engaged an internal auditor to conduct an annual review of its internal controls and such findings are reported to the Audit Committee.

Information Technology Risks

Information Technology Risks

DESCRIPTION OF RISKS

- Information Technology ("**IT**") risks includes hardware and software failure, spam, viruses and malicious attacks.

MANAGING OF RISKS

- The Group's IT department and its external consultants periodically conduct a review and update of the Group's IT system including the overall integrity of its data and security. Where necessary, the Group would upgrade its IT infrastructure.
- It has adopted the necessary IT controls to alleviate the risks and has arranged for all relevant employees to attend IT Security Awareness Training.

SUSTAINABILITY AT WONG FONG

5. SUCCESSION PLANNING

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

Talent Management

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

Succession Planning

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

6. EMPLOYEES & TALENT

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

The Committed to your Health (“**C2H**”) committee was formed in January 2016 with the belief that healthy employees would lead to a more efficient and productive organisation. In FY2020, the C2H committee organised many fun-filled activities to engage and encourage a healthy lifestyle among Wong Fong employees. Due to the COVID-19 pandemic, a majority of the employees are on a work-from-home arrangement and several C2H programmes were suspended or cancelled.

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

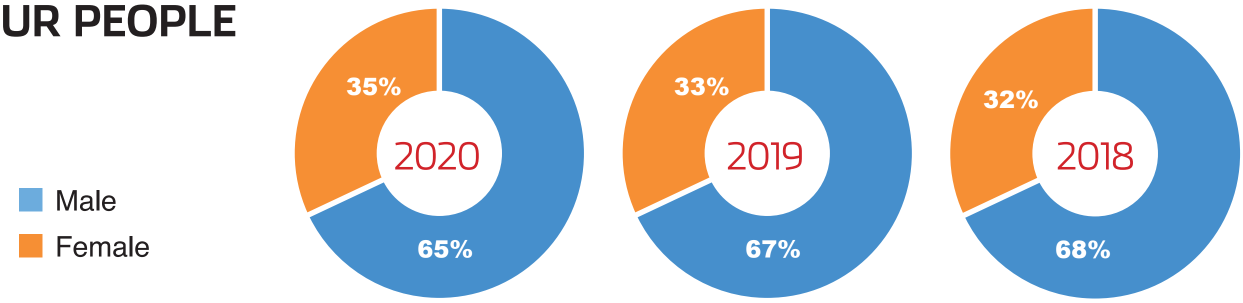
Employees stand to benefit from this arrangement as it widens their exposure and skill-sets across business functions.

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

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

SUSTAINABILITY AT WONG FONG

OUR PEOPLE

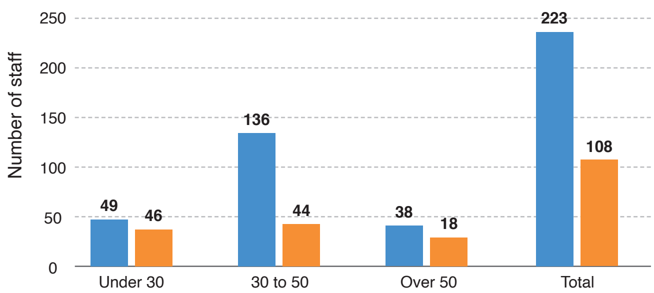


329 EMPLOYEES **331 EMPLOYEES** **356 EMPLOYEES**

	2020			2019			2018		
	Singapore	Malaysia	Myanmar	Singapore	Malaysia	Myanmar	Singapore	Malaysia	Myanmar
Full time employees	**292**	**20**	**11**	284	34	12	262	27	12
Temporary employees	**6**	**0**	**0**	1	0	0	55	0	0

	2020		2019		2018	
	M	F	M	F	M	F
Full time employees	**209**	**114**	223	107	202	99
Temporary employees	**5**	**1**	0	1	39	16

EMPLOYEES BY GENDER AND AGE GROUP FY2020



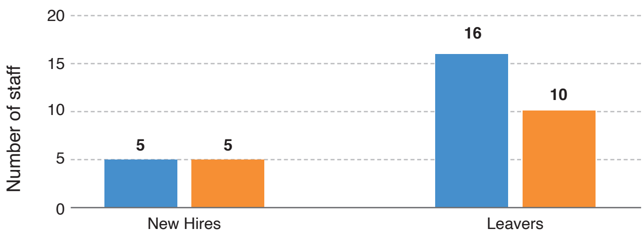
	2020	2019	2018
Total employees	329	331	356
Full time employees	323	330	301
Temporary employees	6	1	55
Male employees	214	223	241
Female employees	115	108	115

Breakdown of employees	2020	M	F
82%	Staff	**64%**	**36%**
13%	Managerial	**67%**	**33%**
5%	Management	**73%**	**27%**

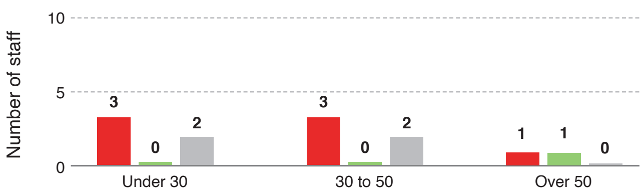
Breakdown of employees	2019	M	F
87%	Staff	67%	33%
8%	Managerial	64%	36%
5%	Management	75%	25%

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

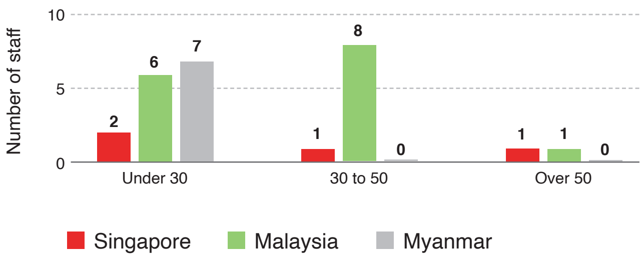
GROUP NEW HIRES AND LEAVERS FY2020



NEW HIRES



LEAVERS



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

7. HEALTH & SAFETY

In light of the COVID-19 pandemic, additional precautionary measures have also been put in place to ensure the safety of our staff and customers. Wong Fong has always placed safety as a top priority and we continuously strive to provide a healthy, safe and functional work environment for our people. Hence, we have established the WSH committee headed by a Board member, which actively seeks to adopt and inculcate the highest possible safety and health best practices throughout the workplace.

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

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

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

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

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

In FY2020, there were 2 (FY2019: 2) work-related incidents at Wong Fong in Singapore. None of the incidents resulted in work stoppages. There were no fatalities in FY2020 and FY2019. For FY2021, we target to have no fatalities. Our Operations Managers constantly remind our staff to be careful at work. Wong Fong regularly sends its staff for workplace safety and first aid training.

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

COVID-19 – Health and Safety Measures across Wong Fong Group

Review of Pandemic BCP

Wong Fong's responses to the COVID-19 pandemic started in early March 2020 where we reviewed our BCP, travel and quarantine policies to ensure that they are in line with Infocomm Media Development Authority advisory.

Safety Management Plan ("SMP")

MOM issued guidelines for all workplaces to implement a detailed list of SMP for workers to return to work safely. Wong Fong issued face masks to all workers and hand sanitizers are placed at various areas to ensure workers are able to reach it conveniently.

Types of measures inside the SMP are:
- Reduce physical interaction and ensure safe distancing at workplaces
- Contact tracing requirements
- Personal protective equipment (e.g. must wear masks at all time)
- Sanitation and hygiene of common areas, equipment and facilities
- Health checks and protocols to manage potential cases
- Personal hygiene

Safe Management Officers ("**SMO**") were appointed as well. The SMO duties include coordination and implementation of the SMP, which includes identifying relevant risks, recommending and assisting in implementing measures to mitigate the risks, and communicating the measures to all personnel working in the workplace.

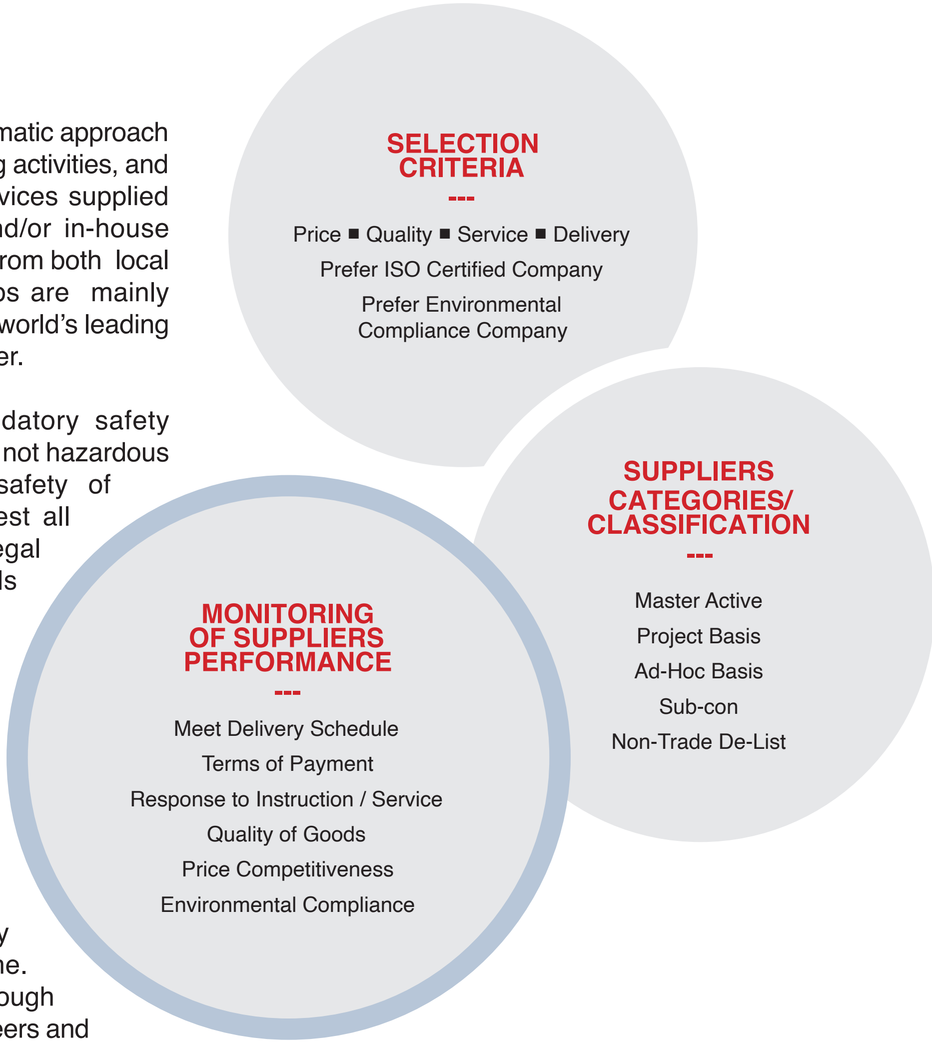
Moving Forward

Wong Fong will continue to ensure the safety and health of our staff and customers by monitoring the COVID-19 situation closely and ensuring that adequate measures, aligned with the government's guidelines, are put in place.

SUSTAINABILITY AT WONG FONG

8. PRODUCT SAFETY

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



Wong Fong's products meet all mandatory safety standards so as to ensure all products are not hazardous to the environment and the health and safety of consumers. Wong Fong inspects and test all products specified to the product and legal requirements and the necessary controls to achieve and maintain the required standard. No products/works shall be released until all the activities specified in the Inspection & Test Plans have been satisfactorily completed and the associated records are available and authorized by the respective managers. Wong Fong also engages in a process where we understand consumer requirements in order to market quality products that consumers will buy and continue to use over a period of time. All products sold have gone through thorough inspection by third party professional engineers and the Land Transport Authority to ensure lifting equipment and vehicles are properly mounted and safe for the road. There was no incident of non-compliance with regulations in FY2020 and FY2019. For FY2021, we target to have no incident of non-compliance with regulations.

9. CUSTOMER SATISFACTION IN SERVICES AND PRODUCTS PROVIDED

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

Meeting the needs of our customers is a key aim of our business, and our strategic approach is focused on achieving high quality of customer service and addressing complaints satisfactorily. To underscore our commitment in providing services and products that impart customer satisfaction, we conduct annual customer feedback surveys. All customer feedbacks are reviewed and monitored to ensure our continual improvement in delivering quality and reliable services and products. In FY2020, we received a mix of compliments and negative feedback from our customers. Where we have done well, we strive to be even better, and where we have heard otherwise, we have taken action to investigate, improve and correct the situation.

SUSTAINABILITY AT WONG FONG

MEMBERSHIP OF ASSOCIATIONS

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

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

GRI CONTENT INDEX

GRI Ref.	GRI Indicator	Page Reference	Report Section
GRI 102: General Disclosures			
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	Front Cover	Annual Report Front Cover
102-2	Activities, brands, products and services	Pages 2 to 4	Our Business
102-3	Location of headquarters	Back Cover	Annual Report Back Cover
102-4	Location of operations	Page 22	Corporate Structure
102-5	Ownership and legal form	Page 22 Page 137 to 138	Corporate Structure Shareholding Statistics
102-6	Markets served	Page 14 Pages 10 to 13	Financial Highlights Operations and Financial Review
102-7	Scale of the organisation	Page 14 Pages 10 to 13 Pages 39 to 40	Financial Highlights Operations and Financial Review Sustainability Report: Employees & Talent
102-8	Information on employees and other workers	Page 40	Sustainability Report: Our People
102-9	Supply chain	Page 42	Sustainability Report: Product Safety

SUSTAINABILITY AT WONG FONG

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-10	Significant changes to the organisation and its supply chain	NA	There are no significant changes
102-11	Precautionary principle or approach	Pages 30 to 38 Pages 49 to 68	Sustainability Report: Risk Management Corporate Governance Report
102-12	External initiatives	Pages 49 to 68 Page 40	Corporate Governance Report Sustainability Report: Our People
102-13	Membership of associations	Page 44	Sustainability Report: Membership of Associations

STRATEGY

102-14	Statement from senior decision-maker	Page 24	Sustainability Report: Board Statement

ETHICS AND INTEGRITY

102-16	Values, principles, standards, and norms of behaviour	Page 29	Sustainability Report: Ethics & Integrity

GOVERNANCE

102-18	Governance structure	Page 25	Sustainability Report: Senior Management Engagement
102-20	Executive-level responsibility for economic, environmental, and social topics	Page 24	Sustainability Report: Board Statement
102-21	Consulting stakeholders on economic, environmental, and social topics	Page 24 Pages 26 to 27	Sustainability Report: Board Statement Sustainability Report: Stakeholder Engagement

SUSTAINABILITY AT WONG FONG

STAKEHOLDER ENGAGEMENT

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-40	List of stakeholder groups	Pages 26 to 27	Sustainability Report: Stakeholder Engagement
102-41	Collective bargaining agreements	NA	None of the Group's employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Pages 26 to 27	Sustainability Report: Stakeholder Engagement
102-43	Approach to stakeholder engagement	Pages 26 to 27	Sustainability Report: Stakeholder Engagement
102-44	Key topics and concerns raised	Pages 26 to 27	Sustainability Report: Stakeholder Engagement

REPORTING PRACTICE

102-45	Entities included in the consolidated financial statements	Pages 69 to 136	Annual Report: Financial Statements
102-46	Defining report content and topic boundaries	Page 23	Sustainability Report: About the Report
102-47	List of material topics	Page 28	Sustainability Report: Materiality Matrix
102-48	Restatements of information	NA	There were no restatements of information
102-49	Changes in reporting	NA	There were no changes in reporting
102-50	Reporting period	Page 25	Sustainability Report: Our Sustainability Framework
102-51	Date of most recent report	NA	14 April 2020
102-52	Reporting cycle	Page 23	Sustainability Report: About the Report
102-53	Contact point for questions regarding the report	Page 18	Annual Report

SUSTAINABILITY AT WONG FONG

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-54	Claims of reporting in accordance with the GRI Standards	Page 23	Sustainability Report: About the Report
102-55	GRI content index	Pages 44 to 48	Sustainability Report: GRI Content Index
102-56	External assurance	Page 23	Sustainability Report: About the Report

GRI 103: Management Approach

103-1	Explanation of material topics and its boundary	Page 23 Page 28	Sustainability Report: About the Report Sustainability: Materiality Matrix
103-2	The management approach and its components	Pages 29 to 42	Sustainability Report: • Ethics & Integrity • Compliance with Regulation • Governance & Accountability • Risk Management • Succession Planning • Employees & Talent • Health & Safety • Product Safety • Customer Satisfaction of Services and Products Provided
103-3	Evaluation of the management approach	Pages 29 to 42	Sustainability Report: • Ethics & Integrity • Compliance with Regulation • Governance & Accountability • Risk Management • Succession Planning • Employees & Talent • Health & Safety • Product Safety • Customer Satisfaction in Services and Products Provided

SUSTAINABILITY AT WONG FONG

TOPIC-SPECIFIC DISCLOSURES

GRI Ref.	GRI Indicator	Page Reference	Report Section
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Page 14	Annual Report
GRI 401: Employment			
401-1	New employee hires and employee turnover	Page 40	Sustainability Report: Our People
GRI 403: Occupational Health and Safety			
403-3	Occupational health services	Page 41	Sustainability Report: Health & Safety
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Page 40	Sustainability Report: Our People
GRI 416: Customer Health and Safety			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 42	Sustainability Report: Product Safety
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Page 30	Sustainability Report: Compliance with Regulation

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

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

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

ROLE OF THE BOARD

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

The key roles and responsibilities of the Board include:

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

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

As at the date of the annual report, the Board comprises:

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

BOARD COMMITTEES

To assist the Board in the discharge of its responsibilities, the Board is supported by 3 Board Committees, namely the Audit Committee ("**AC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**"), which have been constituted with clearly written terms of reference. Each of the Board Committees is chaired by an Independent Director and reports to the Board.

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

Details of other Board Committees are as set out below:

1. NC (Principle 4);

2. RC (Principle 6); and

3. AC (Principle 10).

BOARD MEETINGS

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

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

For FY2020, the number of Board and Board Committee meetings held and the attendance of Directors at these meetings, are disclosed as follows:

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

* Attendance by invitation of the committee

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

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

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

TRAINING FOR DIRECTORS

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

The Directors are kept continually and regularly updated on the Group's businesses, new laws and regulations and industry-specific environments in which the entities of the Group operate in, through in-house training or external courses. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are also circulated to the Board.

The Directors are also encouraged to participate in industry conferences, seminars, courses and training programmes which are relevant to their duties at the Company's expense. In addition, the Directors will be briefed on any updates to the regulatory and reporting requirements such as the Code and financial reporting standards by the relevant professionals.

ACCESS TO COMPLETE, ADEQUATE AND TIMELY INFORMATION

The Management is cognizant of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. Prior to any meetings, Board and Board Committees papers are disseminated to the Directors to allow them sufficient time to prepare for the items to be discussed during the meetings. Management staff are also invited to attend Board meetings to provide additional insight to matters raised and to respond to any queries that the Board members may have.

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

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

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

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

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

The Board announces its half year and full year financial results, which present a balanced and informed assessment of the Group's performance, position and prospects, on SGXNET.

COMPANY SECRETARY

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

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

The appointment and removal of the company secretary is subject to the approval of the Board as a whole.

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

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

REVIEW OF DIRECTORS' INDEPENDENCE

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

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

The NC has assessed the independence of the Independent Directors and noted that the Independent Directors have no relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. None of the Independent Directors is a director of the Company's subsidiaries.

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

Having considered the scope and nature of the operations of the Company as well as the requirements of the Group's business, the Board believes that for FY2020, the composition and size of the Board and the Board Committees are appropriate to ensure the effectiveness of the decision-making process.

BOARD DIVERSITY POLICY AND COMPOSITION

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

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

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

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

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

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

The CEO bears executive responsibility for the Group's business and implements the Board's decision. Mr Liew is also responsible for the business direction and operational decisions of the Group.

The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power and increased accountability of the Board for independent decision-making.

Given that the Chairman is independent, no lead independent director was appointed as the Chairman is available to Shareholders when they have concerns and for which contact through normal channels of communication with the Management is inappropriate or inadequate.

BOARD MEMBERSHIP

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

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

Wong Chit Chong (Chairman)
Pao Kiew Tee
Eric Lew

The majority of the NC, including its Chairman, are independent.

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

ROLES AND RESPONSIBILITIES OF THE NC

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

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

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

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

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

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

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

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

REVIEW OF DIRECTORS' TIME COMMITMENTS

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

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

Based on the Directors' attendance record at the Board and Board Committee meetings and contributions outside of formal Board and Board Committee meetings, the NC and the Board are satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for FY2020.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

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

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

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

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

RE-NOMINATION OF DIRECTORS

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

The NC has reviewed and recommended the re-election of Mr Liew Chern Yean and Mr Eric Lew who will be retiring as Directors at the forthcoming AGM under Regulation 114 of the Constitution. Mr Liew Chern Yean and Mr Eric Lew have offered themselves for re-election and the Board has accepted the recommendations of the NC.

None of the Directors had appointed an alternate director in FY2020.

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

Key information	Name of Director to be re-elected Liew Chern Yean
Designation	Executive Director
Date of initial appointment	2 January 2015
Date of last re-appointment	27 April 2018
Age	51
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Liew as Executive Director was recommended by the NC and approved by the Board, after taking into consideration Mr Liew's qualifications, expertise, experiences and overall contribution since he was appointed as a Director.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Liew oversees and manages the Group's quality control and assurance functions. He is also the Chief Technical Officer and is responsible for technology, advanced engineering and projects.
Familial relationship with any director and/or substantial Shareholder of the listed issuer or of any of its principal subsidiaries	Brother to Mr Lew Chern Yong, Non-Executive Non-Independent Director Nephew of Mr James Liew, Co-Founder and Group CEO Nephew of Mdm Liew Khuen Choy, a substantial Shareholder
Conflict of interests (including any competing business)	Nil
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the annual report.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes
Academic qualifications	Bachelor Degree in Engineering (Mechanical)
Professional memberships/qualifications	Committee member of the National Crane Safety Task Force of the Workplace Safety and Health Council
Principal commitments	Nil
Shareholding interest in the Company and its subsidiaries	Deemed interested in 158,280,000 shares held by Wong Fong Investments Pte Ltd, a substantial Shareholder

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

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

Key information	Name of Director to be re-elected Eric Lew
Designation	Non-Executive Non-Independent Director
Date of initial appointment	2 January 2015
Date of last re-appointment	27 April 2018
Age	47
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Lew as Non-Executive Non-Independent Director was recommended by the NC and approved by the Board, after taking into consideration Mr Lew's qualifications, expertise, experiences and overall contribution since he was appointed as a Director.
Whether appointment is executive. and if so, the area of responsibility	Non-Executive
Familial relationship with any director and/or substantial Shareholder of the listed issuer or of any of its principal subsidiaries	Brother to Mr Liew Chern Yean, Executive Director Nephew of Mr James Liew, Co-Founder and Group CEO Nephew of Mdm Liew Khuen Choy, a substantial Shareholder
Conflict of interests (including any competing business)	Nil
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the annual report.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes
Academic qualifications	Bachelor Degree in Accountancy
Professional memberships/qualifications	Nil
Principal commitments	Executive Chairman and Director of Y Ventures Group Ltd
Shareholding interest in the Company and its subsidiaries	Deemed interested in 158,280,000 shares held by Wong Fong Investments Pte Ltd, a substantial Shareholder

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

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

Key information regarding the Directors' directorships held presently and in the past 3 preceding years in other listed companies are set out on pages 16 to 18 in the annual report.

KEY MANAGEMENT SUCCESSION

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

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

The Board has implemented a process to be carried out by the NC for the evaluation of the effectiveness of the Board annually. The NC, is tasked with proposing objective performance criteria, subject to approval of the Board, for assessing how the Board and the Board Committees have enhanced long-term Shareholders' value. The NC may also engage an external facilitator for the evaluation process. For FY2020, the company secretary has assisted the NC on the evaluation processes of the Board and Board committees. The company secretary collates and tabulates the results and distributes the summary findings at the NC meeting.

During each financial year, all Directors will complete a Board Evaluation Form and to ensure confidentiality, the forms will be submitted to the company secretary directly for collation and the consolidated responses were presented to the NC for review and discussion. The NC will then report to the Board on the review of the Board's performance for the year. The Board Evaluation Form takes into consideration factors such as Board size and composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/senior Management and standard code of conduct of the Board members. For FY2020, the NC has reviewed the performance and effectiveness of the Board as a whole and each Board committee separately and is of the view that the performance and effectiveness of the Board and each Board committee had been satisfactory and met its performance objectives.

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

- occupation and other principal commitments of the Directors;
- attendance at board meetings of those listed companies that the Directors serve as director;
- confirmations by the Directors that they are able to devote sufficient time and attention to the matters of the Group; and
- the professional experience and expertise of the Directors.

REMUNERATION MATTERS

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

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

Wong Chit Chong (Chairman)
Pao Kiew Tee
Eric Lew

The majority of the RC, including its Chairman, are independent.

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

The RC is guided by its written terms of reference, which clearly spells out its authority and duties. The key terms of reference of the RC includes recommending to the Board a framework of remuneration for the Directors and key management personnel, and determining specific remuneration packages for the Executive Directors and key management personnel. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by the RC. The RC reviews the Company's obligation arising in the event of termination of the Executive Directors, and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. No Director is invovled in deciding his or her own renumeration. The RC is also responsible for the administration of the Wong Fong Performance Share Plan.

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

The RC may seek expert advice inside and/or outside the Company on remuneration of all Directors where necessary. During FY2020, the RC did not engage the service of an external remuneration consultant.

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

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

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

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

DISCLOSURE ON DIRECTORS' REMUNERATION

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

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

The short-term incentive scheme includes salary, variable performance bonus and variable year-end bonus shall be subject to annual review by the RC and to be approved by the Board. The long-term incentive scheme would be the Wong Fong Performance Share Plan.

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

For FY2020, the RC is of the view that the performance conditions were met by each of the Executive Directors and the key management personnel.

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

Remuneration of Directors

The breakdown of the total remuneration of the Directors for FY2020 is set out below:

	Directors' fees[(1)]	Salary[(2)]	Bonus	Other benefits	Total remuneration
Above S$250,000 and up to S$500,000					
James Liew	–	83%	8%	9%	100%
S$250,000 and below					
Liew Chern Yean	–	87%	8%	5%	100%
Eric Lew	100%	–	–	–	100%
Pao Kiew Tee	100%	–	–	–	100%
Wong Chit Chong	100%	–	–	–	100%

Notes:

(1) The Directors' fees are subject to Shareholders' approval at the AGM.

(2) The salary amount is inclusive of CPF contributions and allowance.

No compensation was paid or is to be paid in the form of share awards to the Directors in FY2020. There was no termination, retirement or post-employment benefits granted to the Directors in FY2020.

Remuneration of Key Management Personnel

The breakdown of the total remuneration of the top 5 key management personnel of the Group (who are not Directors or the CEO) for FY2020 is set out below:

	Salary[(1)]	Bonus	Other benefits	Total remuneration
S$250,000 and below				
Jack Wong	83%	12%	5%	100%
Chia Kah Lam	80%	15%	5%	100%
Lew Siew Choo	86%	10%	4%	100%
Albert Lee	92%	5%	3%	100%
Liu Shanni	85%	11%	4%	100%

Note:

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

No compensation was paid or is to be paid in the form of share awards to the key management personnel of the Group in FY2020. There was no termination, retirement or post-employment benefits granted to the key management personnel of the Group in FY2020.

The aggregate remuneration paid to the key management personnel of the Group in FY2020 was approximately S$791,000.

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

The breakdown of the total remuneration of employees who are substantial Shareholders or are immediate family members of a Director, the CEO or a substantial Shareholder and whose remuneration exceeds S$100,000 in FY2020 is set out below:

	Remuneration for FY2020
Jean Liew(1)	Between S$100,001 and S$150,000

Note:

(1) Ms Jean Liew is the sister of Mr James Liew, Co-Founder and Group CEO.

No compensation was paid or is to be paid in the form of share awards to employees who are substantial Shareholders or are immediate family members of a Director, the CEO or a substantial Shareholder in FY2020.

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

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

Long-term Incentive Plan

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

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

ACCOUNTABILITY AND AUDIT

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

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

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

For FY2020, the Board and the AC have also received assurances from the Co-Founder and Group CEO and the Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective.

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

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

Based on the internal control policies and procedures established and maintained by the Group, work performed by the External Auditors and the Internal Auditors and reviews performed by the AC and the Management, the Board confirms that for FY2020, the internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective. The AC concurs with the Board's comments.

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

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

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

Pao Kiew Tee (Chairman)
Wong Chit Chong
Eric Lew

The majority of the AC, including its Chairman, are independent.

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

The Board is of the view that the members of AC have the relevant accounting or related financial management expertise or experience to discharge their responsibilities. The Chairman of the AC, Mr Pao Kiew Tee, was formerly a senior government auditor holding the position of senior group director prior to his retirement in June 2016. Mr Pao Kiew Tee is also a fellow of the Institute of Singapore Chartered Accountants. Mr Eric Lew holds a degree in accountancy from the Nanyang Technological University.

The AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of 2 years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The responsibilities of the AC include:

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

- reviewing and discussing with the Management and the External Auditors on the key audit matters. The key audit matters reported in FY2020 are the allowance for inventories and impairment of trade receivables, which are included in the Independent Auditor's Report for 2020. The AC reviewed the outcomes and discussed the details of the review with the Management and considered on the findings including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied. The AC was satisfied with the review process, the approach and methodology applied in the assessment of both allowance for inventories and impairment of trade receivables. The AC also concluded that the Group's accounting treatment in the allowance for inventories and impairment of trade receivables was appropriate;

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

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

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

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

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

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

EXTERNAL AUDITORS

A breakdown of the fees paid to the External Auditors of the Company for audit and non-audit services for FY2020 is as follows:

	S$'000	% of total fees
Audit services	155	88%
Non-audit services (tax compliance services)	22	12%
Total fees	177	100%

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

Having undertaken a review of the non-audit services provided by the External Auditors of the Company during the year, the AC is of the view that the non-audit services provided would not impair their objectivity and independence as External Auditors. The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in the appointment of its external auditors. The External Auditors of the Company are registered with ACRA.

INTERNAL AUDITOR

The AC oversees the Group's internal controls and risk management systems and approves the hiring, removal, evaluation and compensation of the internal auditors. The AC also reviews the adequacy and effectiveness of the internal audit function at least annually. The Company has outsourced its internal audit function to Nexia for its Singapore and Malaysia operations. Nexia is a company of Nexia TS Public Accounting Corporation, which is recognised as an established mid-tier accounting firm for more than 25 years. Nexia is also a member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience.

Nexia possesses vast experience in providing internal audits, risk management services and advisory services in the region. The Group's engagement with Nexia stipulates that its work shall be conducted in accordance with Nexia's internal audit procedures and in line with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA Standards).

The Nexia engagement team is led by Ms Pamela Chen who has more than 14 years performing audits for listed companies. Ms Pamela Chen is supported by a manager who has more than 10 years audit experience and 2 staff members who each has more than 2 years audit experience respectively. Nexia has confirmed their independence to the AC. In view of the above, the AC is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function.

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

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

Based on the scope of work performed by Nexia for FY2020, all material weaknesses identified have been addressed.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

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

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

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

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

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

The Chairman and the chairpersons of the AC, the NC and the RC will be available at all general meetings to address Shareholders' queries. The External Auditors will also be present to assist the Directors in addressing Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report. At the Company's last AGM held on 25 June 2020, all the Directors and the External Auditors were present.

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

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

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

The Board has recommended a first and final tax exempt (one-tier) dividend of 0.43 Singapore cents per share in respect of FY2020 for approval by Shareholders at the forthcoming AGM.

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

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

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

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

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

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

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

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

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

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

WHISTLE BLOWING POLICY

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

The policy aims to ensure that appropriate reporting and communication channels are available for employees and external parties to raise concerns about possible improprieties and also offer reassurance that they will be protected from reprisals or harassment for whistle-blowing in good faith. There was no reported incident pertaining to whistle-blowing for FY2020.

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

CODES OF DEALINGS IN SECURITIES

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

CODE OF CONDUCT AND ANTI-CORRUPTION POLICY

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

INTERESTED PERSON TRANSACTIONS

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

The Group does not have a general mandate for interested person transactions. There were no interested person transactions in FY2020.

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

MATERIAL CONTRACTS

Save for the service agreements between the Company and the Executive Directors, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO, any Director or controlling Shareholder which is either subsisting at the end of FY2020 or, if not then subsisting, entered into since the end of FY2019.

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, United Overseas Bank Limited, in FY2020.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2020.

In the opinion of the directors, the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company as set out on pages 76 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2020, and the financial performance, changes in equity and cash flows of Group and the changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

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

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

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

There have been no changes in the above directors' interests as at January 21, 2021.

4 SHARE OPTIONS AND SHARE-BASED INCENTIVE

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

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

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

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

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

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

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

5 AUDIT COMMITTEE

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

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

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

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

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

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

5 AUDIT COMMITTEE (CONTINUED)

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Liew Ah Kuie

....
Liew Chern Yean

March 31, 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wong Fong Industries Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 136.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

<u>Allowance for inventories</u>

The Group holds significant inventories of $12.1 million carried at the lower of cost and net realisable value. These inventories account for 23% of the Group's current assets and comprises mainly cranes and other truck-mounted equipment. The determination of the net realisable value of inventories is dependent upon management's assessment of inventory obsolescence.

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

The Group's disclosure on inventories is set out in Note 9 to the financial statements.

Our audit performed and responses thereon

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

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

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

We found the allowance for inventories estimated by management and the related disclosures to be appropriate.

Impairment of trade receivables

As at December 31, 2020, the Group has trade receivables of $13.2 million, representing 25% of the Group's current assets. The Group determines the expected credit loss ("ECL") of trade receivables by using a provision matrix that is based on its historical credit loss experience, debtors' ability to pay and any relevant forward-looking information that may be specific to the debtors and economic environment. This assessment requires significant assumptions and estimates. Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.

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

Our audit performed and responses thereon

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

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

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

We found the ECL estimated by management and the related disclosures to be appropriate.

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2021

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Current assets					
Cash and bank balances	6	**25,289**	25,178	**9,032**	12,818
Trade and other receivables	7	**15,231**	13,620	**214**	548
Derivative financial instruments	8	**2**	–	**–**	–
Inventories	9	**12,080**	10,906	**–**	–
Total current assets		**52,602**	49,704	**9,246**	13,366
Non-current assets					
Property, plant and equipment	10	**17,574**	19,129	**7**	3
Right-of-use assets	11	**7,158**	7,687	**–**	–
Intangible assets	12	**4,717**	5,147	**–**	–
Investment in subsidiaries	13	**–**	–	**3,564**	3,564
Investment in associate	14(a)	**–**	57	**–**	–
Investment in joint venture	14(b)	**–**	–	**–**	–
Investments in financial assets	15	**3,461**	–	**3,371**	–
Total non-current assets		**32,910**	32,020	**6,942**	3,567
Total assets		**85,512**	81,724	**16,188**	16,933
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	16	**16,625**	14,463	**496**	314
Lease liabilities	17	**1,532**	1,181	**–**	–
Bank borrowings	18	**1,073**	830	**–**	–
Derivative financial instruments	8	**–**	5	**–**	–
Income tax payable		**661**	698	**–**	–
Total current liabilities		**19,891**	17,177	**496**	314
Non-current liabilities					
Other payables	16	**84**	131	**–**	–
Lease liabilities	17	**5,861**	6,716	**–**	–
Bank borrowings	18	**4,833**	3,618	**–**	–
Deferred tax liabilities	19	**1,565**	1,689	**–**	–
Total non-current liabilities		**12,343**	12,154	**–**	–
CAPITAL AND RESERVES					
Share capital	20	**11,351**	11,351	**11,351**	11,351
Accumulated profits		**39,271**	38,420	**3,744**	4,680
Reserves	21	**336**	745	**597**	588
Equity attributable to owners of the Company		**50,958**	50,516	**15,692**	16,619
Non-controlling interests		**2,320**	1,877	**–**	–
Total equity		**53,278**	52,393	**15,692**	16,619
Total equity and liabilities		**85,512**	81,724	**16,188**	16,933

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2020

	Note	Group 2020 $'000	Group 2019 $'000
Revenue	22	**49,278**	54,537
Other operating income	23	**4,442**	663
Changes in inventories of finished goods and work-in-progress		**1,082**	749
Materials and consumables used and other direct costs		**(28,788)**	(30,347)
Employee benefits expense		**(15,886)**	(15,141)
Depreciation and amortisation expense		**(3,648)**	(3,022)
Impairment losses on financial assets		**(218)**	(352)
Other operating expenses	24	**(2,959)**	(3,663)
Share of results of associate	14(a)	**(57)**	(62)
Finance costs	25	**(460)**	(521)
Profit before tax		**2,786**	2,841
Income tax expense	26	**(278)**	(548)
Profit for the year	27	**2,508**	2,293
Other comprehensive income (loss), after tax			
Items that will not be reclassified subsequently to profit or loss			
– Fair value loss on investments in equity instruments designated as at FVTOCI		**(431)**	–
Items that may be reclassified subsequently to profit or loss			
– Fair value gain on investments in debt instruments measured at FVTOCI		**9**	–
– Exchange differences on translation of foreign operations		**21**	(6)
Other comprehensive loss for the year, net of tax		**(401)**	(6)
Total comprehensive income for the year		**2,107**	2,287
Profit attributable to:			
Owners of the Company		**2,073**	2,267
Non-controlling interests		**435**	26
		2,508	2,293
Total comprehensive income attributable to:			
Owners of the Company		**1,664**	2,259
Non-controlling interests		**443**	28
		2,107	2,287
Basic and diluted earnings per share (cents)	31	**0.88**	0.96

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2020

Group	Note	Share capital $'000	Accumulated profits $'000	Reserves $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance as at January 1, 2019		11,351	37,352	753	49,456	1,757	51,213
Transactions with owners, recognised directly in equity:							
Contribution by non-controlling interest		–	–	–	–	55	55
Non-controlling interest arising from acquisition of subsidiaries	32	–	–	–	–	37	37
Dividends paid to owners of the Company	28	–	(1,199)	–	(1,199)	–	(1,199)
Total		–	(1,199)	–	(1,199)	92	(1,107)
Total comprehensive income for the year:							
Profit for the year		–	2,267	–	2,267	26	2,293
Other comprehensive income (loss) for the year		–	–	(8)	(8)	2	(6)
Total		–	2,267	(8)	2,259	28	2,287
Balance as at December 31, 2019		11,351	38,420	745	50,516	1,877	52,393
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	28	**–**	**(1,222)**	**–**	**(1,222)**	**–**	**(1,222)**
Total		**–**	**(1,222)**	**–**	**(1,222)**	**–**	**(1,222)**
Total comprehensive income for the year:							
Profit for the year		**–**	**2,073**	**–**	**2,073**	**435**	**2,508**
Other comprehensive income (loss) for the year		**–**	**–**	**(409)**	**(409)**	**8**	**(401)**
Total		**–**	**2,073**	**(409)**	**1,664**	**443**	**2,107**
Balance as at December 31, 2020		**11,351**	**39,271**	**336**	**50,958**	**2,320**	**53,278**

Company	Note	Share capital $'000	Accumulated profits $'000	Reserves $'000	Total $'000
Balance as at January 1, 2019		11,351	6,622	588	18,561
Transaction with owners, recognised directly in equity:					
Dividends paid	28	–	(1,199)	–	(1,199)
Loss for the year, representing total comprehensive loss for the year		–	(743)	–	(743)
Balance as at December 31, 2019		11,351	4,680	588	16,619
Transaction with owners, recognised directly in equity:					
Dividends paid	28	–	(1,222)	–	(1,222)
Total comprehensive income for the year:					
Profit for the year		–	286	–	286
Other comprehensive income for the year		–	–	9	9
Total		–	286	9	295
Balance as at December 31, 2020		11,351	3,744	597	15,692

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Group 2020 $'000	2019 $'000
Operating activities		
Profit before taxation	**2,786**	2,841
Adjustments for:		
Amortisation of intangible assets	**391**	417
Depreciation of property, plant and equipment	**1,871**	1,799
Depreciation of right-of-use assets	**1,386**	806
Dividend income	**(21)**	–
Fair value changes on derivative financial instruments	**(7)**	4
Gain on disposal of financial assets	**(23)**	–
Impairment loss on financial assets	**218**	352
Impairment of goodwill	**35**	–
Intangible assets written off	**4**	–
Interest expense	**394**	467
Interest income	**(116)**	(173)
Loss (Gain) on disposal of property, plant and equipment	**43**	(23)
Net gain arising on financial assets measured at FVTPL	**(120)**	–
Property, plant and equipment written off	**10**	34
(Reversal of) Allowance for inventories and inventories written off	**(62)**	222
Share of results of associate	**57**	62
Operating cash flows before movements in working capital	**6,846**	6,808
Inventories	**(1,103)**	(893)
Trade and other receivables	**(1,635)**	1,563
Trade and other payables (Note A)	**2,078**	(1,376)
Cash generated from operations	**6,186**	6,102
Income tax paid	**(439)**	(394)
Net cash from operating activities	**5,747**	5,708
Investing activities		
Dividend received	**21**	–
Interest received	**116**	173
Investment in equity instrument designated at FVTOCI	**(521)**	–
Net cash (outflow) inflow from acquisition of subsidiaries (Note 32)	**(120)**	511
Payment of contingent consideration	**–**	(800)
Proceeds from disposal of property, plant and equipment	**30**	47
Proceeds from disposal of quoted shares	**144**	–
Purchase of financial assets measured at FVTPL	**(2,613)**	–
Purchase of quoted debt securities measured at FVTOCI	**(750)**	–
Purchase of property, plant and equipment (Note A)	**(445)**	(1,201)
Net cash used in investing activities	**(4,138)**	(1,270)
Financing activities		
Contribution by non-controlling interest	**–**	55
Dividends paid	**(1,222)**	(1,199)
Proceeds from bank borrowings	**5,000**	–
Decrease (Increase) in pledged fixed deposits	**426**	(13)
Interest paid	**(384)**	(412)
Repayment of bank borrowings	**(3,538)**	(827)
Repayment of lease liabilities	**(1,349)**	(821)
Net cash used in financing activities	**(1,067)**	(3,217)
Net increase in cash and cash equivalents	**542**	1,221
Cash and cash equivalents at beginning of the year	**24,539**	23,332
Effect of foreign exchange rate changes	**(5)**	(14)
Cash and cash equivalents at end of the year (Note 6)	**25,076**	24,539

Note A

Included in trade and other payables is an amount of $10,000 (2019: $83,000) relating to the acquisition of property, plant and equipment ("PPE").

During the year, the Group acquired property, plant and equipment with an aggregate cost of S$371,000 (2019: $1,284,000), of which $361,000 (2019: $1,201,000) was paid in cash and $10,000 (2019: $83,000) remains unpaid at the end of the reporting period and is recorded as other payables.

See accompanying notes to financial statements.

1 GENERAL

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

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

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

The principal activities of the subsidiaries, an associate and a joint venture are disclosed in Notes 13, 14(a) and 14(b) respectively.

COVID-19 pandemic and the aftermath

The COVID-19 pandemic and the aftermath of the pandemic globally had impacted the Group's business operations during the reporting year due to measures taken by the governments to contain the spread of COVID-19, including travel restrictions, social distancing and closure of non-essential services. This had resulted in the Group's overall Engineering business experiencing a slowdown during the year due to the COVID-19 measures. Similarly, the Group's Training business experienced a slowdown when the Singapore government implemented circuit breaker in Singapore. The resulting business slowdown was partially mitigated by the implementation of online and virtual courses. With the end of the circuit breaker in June 2020 when businesses were allowed to operate within very strict COVID-19 guidelines, the Group's businesses managed to gradually recover from the lows of circuit breaker lockdown.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2020 were authorised for issue by the Board of Directors on March 31, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

Impact of the initial application of *COVID-19-Related Rent Concessions* amendment to SFRS(I) 16

In May 2020, the ASC issued *COVID-19-Related Rent Concessions* (Amendment to SFRS(I) 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to SFRS(I) 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying SFRS(I) 16 if the change were not a lease modification. The amendment is effective for annual periods beginning on or after June 1, 2020, with early application permitted.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due in on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to SFRS(I) 16 in advance of its effective date.

Impact of accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in SFRS(I) 16:46B, and has not restated prior period figures.

The Group received rental rebate of $217,000 for the leased buildings under the Rental Relief Framework as mandated by the Government. The rental rebate has been accounted for as rent concessions in profit or loss as negative variable rent and the receivable for rental rebate has been offset against the lease liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STANDARDS ISSUED BUT NOT EFFECTIVE – Management anticipates that the adoption of the new SFRS(I) pronouncements that were issued but not effective at the date of authorisation of these financial statements in future periods will not have a material impact on the financial statements of the Group and the Company, except for the early application of the amendment to SFRS(I) 16 as discussed above.

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

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

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

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

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

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

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with SFRS(I) 2 *Share-based Payment* at the acquisition date; and

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

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

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

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

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

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

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other operating income” line item.

Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 4(c)(vi). The corporate bonds are measured initially at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

Investments in equity instruments at FVTOCI are measured initially at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with SFRS(I) 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other operating income” line item in profit or loss.

The Group designated certain investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see Note 15).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" line item (Note 23). Fair value is determined in the manner described in Note 4(c)(vi).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating expenses" line item.

Impairment of financial assets

The Group and Company recognises a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortised cost or at FVTOCI, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12 months ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

The Group considers a financial asset to have low credit risk when it has an external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of `performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition of default

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

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

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

Credit-impaired financial assets

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

a) significant financial difficulty of the debtor;

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the subsidiary, and other relevant forward-looking information.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at FVTPL

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

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

Financial liabilities subsequently measured at amortised cost

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

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

Financial guarantee contract liabilities

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

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

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in the “other operating expenses” line item.

<u>Derecognition of financial liabilities</u>

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 8.

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

LEASES

The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, measured initially using the index or rate at the commencement date.

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

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

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

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has applied the practical expedient which permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification and accordingly has accounted for any change in lease payments resulting from the COVID-19-related rent concessions applying SFRS(I) 16 if the change were not a lease modification.

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

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

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

Buildings	–	50 years or over the terms of land lease ranging from 25 to 33 years
Motor vehicles	–	5 years
Office equipment, furniture and fittings	–	3 to 10 years
Computers	–	1 to 6 years
Plant and machinery	–	10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

GOODWILL – Goodwill is initially recognised and measured as set out in the business combinations accounting policy.

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

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

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in Note 12. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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

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

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

ASSOCIATE AND JOINT VENTURE – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

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

- Repairs and servicing; and

- Training.

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

<u>Equipment sales and projects</u>

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

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

<u>Repairs and servicing</u>

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

<u>Training</u>

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

<u>Dividend income</u>

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

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

(a) Allowance for inventories

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

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

The carrying amount of the Group's inventories and allowance for inventories recorded are disclosed in Note 9.

(b) Calculation of loss allowance

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

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

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

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

(c) Impairment assessment of investment in subsidiaries

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

The carrying amount of the Company's investment in subsidiaries is disclosed in Note 13.

(d) Impairment of goodwill

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

The carrying amount of goodwill and details of the impairment assessment are disclosed in Note 12.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Derivative financial instruments	**2**	–	**–**	–
Financial assets at amortised cost	**40,197**	38,484	**9,205**	13,319
Financial assets measured at FVTPL	**2,612**	–	**2,612**	–
Financial assets at FVTOCI:				
Debt instruments classified as at FVTOCI	**759**	–	**759**	–
Equity instruments designated as at FVTOCI	**90**	–	**–**	–
Financial liabilities				
Financial liabilities at amortised cost	**16,892**	13,744	**496**	308
Derivative financial instruments	**–**	5	**–**	–
Contingent consideration for a business combination	**800**	789	**–**	–
Lease liabilities	**7,393**	7,897	**–**	–

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

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

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

(c) Financial risk management policies and objectives

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

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

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

(i) Foreign exchange risk management

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

The carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currency at the reporting date are as follows:

	Group			
	Assets		Liabilities	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Euro	**2,556**	1,651	**2,534**	1,744
Singapore dollar	**1**	199	**4,749**	5,288
United States dollar	**710**	181	**86**	33

Foreign currency sensitivity

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

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

	Group	
	2020	2019
	$'000	$'000
Euro	**(1)**	5
Singapore dollar	**237**	254
United States dollar	**(31)**	(7)

If the relevant foreign currencies strengthen by 5% against the functional currency of each group entity, there would be an equal and opposite impact on the Group's profit before tax.

The Company does not have significant exposure to exchange rate fluctuations.

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

(ii) Interest rate risk management

The Group's primary interest rate risk relates to its bank borrowings (Note 18) which have floating rates.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when assessing interest rate risk and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before tax would decrease/increase by $5,000 (2019: $22,000).

The Company's profit is not affected by the changes in interest rates as the Company does not have significant interest-bearing financial instruments.

(iii) Equity price risk management

The Group and Company are exposed to equity price risks arising from equity investments.

Equity investments in unlisted entities (Note 15) are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The Group and Company invested in a portfolio of listed shares (Note 15). This type of investment is approved by the Board of Directors as the alternative to investment in money market funds in order to generate higher investment return on the Group's spare funds.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

- The Group's and Company's profit before tax would increase/decrease by $79,000 as a result of the changes in fair value of the investments in listed shares; and
- The Group's other comprehensive income would increase/decrease by $4,000 as a result of the changes in fair value of the investments in equity instruments.

(iv) Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Investments in debt instruments as detailed in Note 15 are considered to have low credit risk for the purpose of impairment assessment. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

Before accepting any new customer, a dedicated team responsible for the determination of credit limits assesses the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group is exposed to a concentration of credit risk as 36% (2019: 19%) of its total trade and other receivables are due from two (2019: single) counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Company is exposed to credit risk in relation to financial guarantees given to banks for borrowings of its subsidiaries. The Company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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

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

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

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
Group						
2020						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	**13,967**	**(755)**	**13,212**
Other receivables	7	Performing	12-month ECL	**1,687**	**–**	**1,687**
Other receivables – joint venture	7	In default	Lifetime ECL – credit-impaired	**113**	**(113)**	**–**
Other receivables – related party	7	In default	Lifetime ECL – credit-impaired	**160**	**(160)**	**–**
Corporate bonds	15	Performing	12-month ECL (low credit risk)	**1,800**	**–**	**1,800**
					(1,028)	
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	13,245	(969)	12,276
Other receivables	7	Performing	12-month ECL	847	–	847
Other receivables – joint venture	7	In default	Lifetime ECL – credit-impaired	113	(113)	–
Other receivables – related party	7	In default	Lifetime ECL – credit-impaired	160	(160)	–
					(1,242)	
Company						
2020						
Other receivables	7	Performing	12-month ECL	**173**	**–**	**173**
Corporate bonds	15	Performing	12-month ECL (low credit risk)	**1,800**	**–**	**1,800**
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	19	–	19
Other receivables	7	Performing	12-month ECL	482	–	482

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

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

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

(v) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities. The Group uses combination of the cash inflows from the financial assets and available bank facilities to manage liquidity.

The Group has access to financing facilities of which $14,509,000 (2019: $13,169,000) were unused at the reporting date. The Group expects to meet its obligations through operating cash flows and proceeds of maturing financial assets.

The Company has provided corporate guarantees to certain banks in respect of the banking facilities granted to its subsidiaries amounting to $25,216,000 (2019: $20,683,000), of which $10,707,000 (2019: $7,514,000) was utilised at the end of the reporting period.

The maximum amount that the Company could be forced to settle under the corporate guarantee contract if the full guaranteed amount is claimed by the counterparty to the guarantee is disclosed above. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the Group's and the Company's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustments $'000	Total $'000
Group						
2020						
Non-interest bearing	**–**	**11,786**	**–**	**–**	**–**	**11,786**
Lease liabilities (fixed rate)	**3.37**	**1,752**	**2,874**	**4,980**	**(2,213)**	**7,393**
Variable interest rate instruments	**3.18**	**98**	**392**	**764**	**(221)**	**1,033**
Fixed interest rate instruments	**2.00**	**1,095**	**4,013**	**–**	**(235)**	**4,873**
Total		**14,731**	**7,279**	**5,744**	**(2,669)**	**25,085**

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

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustments $'000	Total $'000
Group						
2019						
Non-interest bearing	–	10,085	–	–	–	10,085
Lease liabilities (fixed rate)	3.42	1,434	3,794	5,079	(2,410)	7,897
Variable interest rate instruments	3.74	980	3,106	1,041	(679)	4,448
Total		12,499	6,900	6,120	(3,089)	22,430
Company						
2020						
Non-interest bearing	**–**	**496**	**–**	**–**	**–**	**496**
2019						
Non-interest bearing	–	308	–	–	–	308

Non-derivative financial assets

The Group's and the Company's non-derivative financial assets as at the end of the financial years ended December 31, 2020 and 2019 are non-interest bearing and are repayable on demand or due within 1 year from the end of the reporting period, except for interest bearing fixed deposits as disclosed in Note 6.

Derivative financial instruments

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

(vi) Fair value of financial assets and financial liabilities

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their respective fair values due to the relatively short-term maturity of these financial assets and financial liabilities and the interest rates approximating market rates.

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

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

Group								
	Fair value as at ($'000)							
	2020		2019					
Financial assets/ financial liabilities	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Derivative financial instruments (Note 8)								
Forward foreign exchange contract	**2**	**–**	–	(5)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	n.a.	n.a.
Financial assets measured at FVTPL (Note 15)								
Listed shares	**1,571**	**–**	–	–	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Listed corporate bonds	**1,041**	**–**	–	–	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Financial assets measured at FVTOCI (Note 15)								
Listed corporate bonds	**759**	**–**	–	–	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Investment in unlisted shares	**90**	**–**	–	–	Level 3	Net asset value of the investee.	Net asset value	The higher the net asset value, the higher the fair value.
Other payables (Note 16)								
Contingent consideration	**–**	**(800)**	–	(789)	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 5.28% per annum	An increase in the discount rate used in isolation would result in a decrease in fair value.

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

Company								
	Fair value as at ($'000)							
	2020		2019					
Financial assets/ financial liabilities	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Financial assets measured at FVTPL (Note 15)								
Listed shares	**1,571**	**–**	–	–	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Listed corporate bonds	**1,041**	**–**	–	–	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Financial assets measured at FVTOCI (Note 15)								
Listed corporate bonds	**759**	**–**	–	–	Level 1	Quoted bid prices in an active market.	n.a.	n.a.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the current and prior years.

(d) Capital management policies and objectives

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

The capital structure of the Group consists of net debt (lease liabilities and borrowings disclosed in Notes 17 and 18 respectively after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

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

5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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

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

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

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

	Group	
	2020	**2019**
	$'000	**$'000**
Transaction with ultimate holding company		
Dividend paid	**823**	807
Transactions with company which certain shareholders have interest in		
Sales	**(2)**	(1)

5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of directors and key management personnel

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

	Group	
	2020 $'000	2019 $'000
Short-term employee benefits	**1,370**	1,427
Post-employment benefits	**71**	77
	1,441	1,504

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

6 CASH AND BANK BALANCES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fixed deposits	**3,254**	10,680	**3,000**	10,000
Cash in hand	**49**	46	**–**	–
Bank balances	**21,986**	14,452	**6,032**	2,818
	25,289	25,178	**9,032**	12,818
Less: Pledged fixed deposits	**(213)**	(639)	**–**	–
Cash and cash equivalents per statement of cash flows	**25,076**	24,539	**9,032**	12,818

Certain fixed deposits are pledged as collaterals for bank facilities. The fixed deposits have maturity of one to nine months (2019: one to twelve months) and bear interest at 1.19% (2019: 1.69%) per annum.

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables:				
– outside parties	**13,967**	13,245	**–**	–
– subsidiary companies	**–**	–	**–**	19
Loss allowance	**(755)**	(969)	**–**	–
	13,212	12,276	**–**	19
Accrued revenue(1)	**9**	183	**–**	–
	13,221	12,459	**–**	19
Other receivables:				
– outside parties	**222**	164	**25**	54
– subsidiaries	**–**	–	**148**	428
– joint venture	**113**	113	**–**	–
– related party(2)	**160**	160	**–**	–
– grant receivable	**347**	113	**–**	–
– deposits	**1,096**	529	**–**	–
– prepayments	**323**	314	**41**	47
– staff loans	**22**	41	**–**	–
Loss allowance	**(273)**	(273)	**–**	–
	2,010	1,161	**214**	529
Total	**15,231**	13,620	**214**	548

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

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

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at January 1, 2019, trade receivables from contracts with customers amounted to $13,893,000 (net of loss allowance of $767,000).

Trade receivables

The average credit period on sale of goods is 30 to 60 days. No interest is charged on the trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and considering the general economic conditions of the industry in which the debtors operate at the reporting date.

There has been no change in the estimation techniques during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

	Group					
	Trade receivables – days past due					
Engineering	**Not past due $'000**	**Within 90 days $'000**	**91 to 180 days $'000**	**181 to 360 days $'000**	**More than 360 days $'000**	**Total $'000**
2020						
Expected credit loss rate	**0.0%**	**0.1%**	**0.2%**	**1.8%**	**20.0%**	
Estimated total gross carrying amount at default	**3,382**	**2,731**	**186**	**68**	**92**	**6,459**
Lifetime ECL	**(1)**	**(2)**	**–**	**(1)**	**(18)**	**(22)**
						6,437
2019						
Expected credit loss rate	0.0%	0.1%	0.5%	1.5%	18.0%	
Estimated total gross carrying amount at default	2,269	5,321	491	355	139	8,575
Lifetime ECL	(1)	(4)	(2)	(5)	(25)	(37)
						8,538

	Group					
	Trade receivables – days past due					
Training	**Not past due $'000**	**Within 30 days $'000**	**31 to 60 days $'000**	**61 to 90 days $'000**	**More than 90 days $'000**	**Total $'000**
2020						
Expected credit loss rate	**1.9%**	**2.6%**	**4.9%**	**3.5%**	**18.0%**	
Estimated total gross carrying amount at default	**1,940**	**837**	**217**	**1,029**	**3,485**	**7,508**
Lifetime ECL	**(38)**	**(22)**	**(11)**	**(36)**	**(626)**	**(733)**
						6,775
2019						
Expected credit loss rate	1.7%	1.7%	2.9%	3.9%	30.7%	
Estimated total gross carrying amount at default	502	588	365	307	2,908	4,670
Lifetime ECL	(9)	(9)	(10)	(12)	(892)	(932)
						3,738

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Company

Trade receivables as at December 31, 2020 and 2019 are mostly not past due and the weighted credit loss rate is assessed as negligible. Accordingly, no loss allowance is recognised.

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

Group	**Total**
	$'000
Balance at January 1, 2019	767
Amounts recovered	(198)
Change in loss allowance – Origination of new trade receivables net of those settled, as well as increase in days past due more than 90 days for training segment	400
Balance at December 31, 2019	969
Amounts written off	(415)
Amounts recovered	(14)
Change in loss allowance – Origination of new trade receivables net of those settled	215
Balance at December 31, 2020	**755**

Other receivables

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

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

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

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

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

Group	**Total**
	$'000
Balance at January 1, 2019	227
Debtor's account past due more than 365 days	46
Balance at December 31, 2019 and 2020	**273**

There has been no change in the estimation techniques during the current reporting period.

8 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	Assets	**Liabilities**
	2020	**2019**
	$'000	**$'000**
Foreign currency forward contracts		
– Not designated in hedge accounting relationships	**2**	(5)

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

Group	Average exchange rate	Foreign currency FC'000	Contract value $'000	Changes in fair value $'000
2020				
Buy EUR: less than 3 months	**1.61**	**150**	**242**	**2**
2019				
Buy EUR: less than 3 months	1.52	1,100	1,667	(5)

9 INVENTORIES

	Group	
	2020	**2019**
	$'000	**$'000**
Materials	**7,096**	7,276
Work-in-progress	**3,454**	2,772
Goods-in-transit	**1,645**	987
	12,195	11,035
Less: Allowance for inventories	**(115)**	(129)
	12,080	10,906

Movement in allowance for inventories:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of the year	**129**	100
(Credit) Charge to profit or loss for the year	**(14)**	29
Exchange realignment	*	*
Balance at end of the year	**115**	129

* Denotes less than $1,000.

In 2019, amount of $193,000 in respect of non-usable items was written down. During the year, previous write downs of $48,000 have been reversed due to subsequent utilisation of these items.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings $'000	Construction-in-progress $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Computers $'000	Plant and machinery $'000	Total $'000
Cost:								
At January 1, 2019	1,925	20,750	45	1,573	1,588	2,120	3,810	31,811
Additions	–	–	–	194	536	285	269	1,284
Reclassification[(1)]	(1,166)	1,166	(36)	–	–	36	–	–
Exchange realignment	(1)	(1)	–	–	–	–	–	(2)
Disposals	–	–	–	(178)	–	(2)	(18)	(198)
Written off	–	–	–	–	(42)	(98)	–	(140)
At December 31, 2019	758	21,915	9	1,589	2,082	2,341	4,061	32,755
Additions	–	–	58	35	101	160	17	371
Arising on acquisition of a subsidiary	–	–	–	–	34	–	–	34
Exchange realignment	(3)	(4)	–	–	–	–	–	(7)
Disposals	–	–	–	(54)	(6)	(4)	(125)	(189)
Written off	–	–	(9)	–	–	(434)	(5)	(448)
At December 31, 2020	755	21,911	58	1,570	2,211	2,063	3,948	32,516
Accumulated depreciation:								
At January 1, 2019	97	6,483	–	1,073	855	1,408	2,192	12,108
Depreciation for the year	–	730	–	197	222	361	289	1,799
Reclassification[(1)]	(97)	97	–	–	–	–	–	–
Exchange realignment	–	–	–	–	–	–	(1)	(1)
Disposal	–	–	–	(155)	–	(2)	(17)	(174)
Written off	–	–	–	–	(36)	(70)	–	(106)
At December 31, 2019	–	7,310	–	1,115	1,041	1,697	2,463	13,626
Depreciation for the year	–	730	–	186	300	366	289	1,871
Exchange realignment	–	–	–	–	–	–	(1)	(1)
Disposal	–	–	–	(50)	(1)	(4)	(61)	(116)
Written off	–	–	–	–	–	(434)	(4)	(438)
At December 31, 2020	–	8,040	–	1,251	1,340	1,625	2,686	14,942
Carrying amount:								
At December 31, 2020	**755**	**13,871**	**58**	**319**	**871**	**438**	**1,262**	**17,574**
At December 31, 2019	758	14,605	9	474	1,041	644	1,598	19,129

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amount of the Group's motor vehicles includes an amount of $37,000 (2019: $216,000) secured in respect of assets held under finance lease arrangement.

Freehold land and buildings with a carrying amount of $10,717,000 (2019: $11,329,000) have been pledged to secure banking facilities granted to the Group.

(1) In 2019, the cost and accumulated depreciation related to the buildings has been reclassified to the "Buildings" asset category.

Company	**Computers $'000**
Cost:	
At January 1, 2019	–
Additions	3
At December 31, 2019	3
Additions	5
At December 31, 2020	8
Accumulated depreciation:	
At January 1, 2019	–
Depreciation for the year	*
At December 31, 2019	*
Depreciation for the year	1
At December 31, 2020	1
Carrying amount:	
At December 31, 2020	**7**
At December 31, 2019	3

* Denotes less than $1,000.

11 RIGHT-OF-USE ASSETS

Group	**Leasehold lands $'000**	**Buildings $'000**	**Total $'000**
Cost:			
At January 1, 2019	4,229	1,771	6,000
Additions	–	2,493	2,493
At December 31, 2019	4,229	4,264	8,493
Arising on acquisition of a subsidiary	–	989	989
Additions	135	40	175
Termination of leases	–	(441)	(441)
At December 31, 2020	4,364	4,852	9,216
Accumulated depreciation:			
At January 1, 2019	–	–	–
Depreciation	159	647	806
At December 31, 2019	159	647	806
Depreciation	164	1,222	1,386
Termination of leases	–	(134)	(134)
At December 31, 2020	323	1,735	2,058
Carrying amount:			
At December 31, 2020	**4,041**	**3,117**	**7,158**
At December 31, 2019	4,070	3,617	7,687

11 RIGHT-OF-USE ASSETS (CONTINUED)

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

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

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

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

The Group entered into finance lease arrangement for motor vehicles amounting to $37,000 (2019: $216,000) which are presented within property, plant and equipment (Note 10).

12 INTANGIBLE ASSETS

Group	Goodwill $'000	Accreditation and copyright[(1)] $'000	Favourable leases[(2)] $'000	Other intangible assets[(3)] $'000	Total $'000
Cost:					
At January 1, 2019	1,300	4,553	59	8	5,920
Arising on acquisition of a subsidiary	131	–	–	–	131
At December 31, 2019	1,431	4,553	59	8	6,051
Written off	–	(4)	–	–	(4)
At December 31, 2020	1,431	4,549	59	8	6,047
Amortisation:					
At January 1, 2019	–	446	35	5	486
Amortisation for the year	–	391	24	2	417
At December 31, 2019	–	837	59	7	903
Amortisation for the year	–	391	–	–	391
At December 31, 2020	–	1,228	59	7	1,294
Impairment:					
At January 1, 2019	–	–	–	–	–
Impairment loss recognised during the year	1	–	–	–	1
At December 31, 2019	1	–	–	–	1
Impairment loss recognised during the year	35	–	–	–	35
At December 31, 2020	36	–	–	–	36
Carrying amount:					
At December 31, 2020	**1,395**	**3,321**	**–**	**1**	**4,717**
At December 31, 2019	1,430	3,716	–	1	5,147

(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.

12 INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from the business combination. 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 to discount the forecast cash flows from AAPL is 10.1% (2019: 10.0%) and from EHC and EIC is 10.1% (2019: 8.7%).

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 $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 during the year.

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2020	**2019**
	$'000	**$'000**
Equity shares at cost – unquoted	**3,896**	3,896
Deemed interest[(1)]	**588**	588
Less: Allowance for impairment	**(920)**	(920)
	3,564	3,564

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

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

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Group's significant subsidiaries at December 31, 2020 are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting rights held 2020 %	2019 %
Held by the Company				
Wong Fong Engineering Works (1988) Pte. Ltd.(1)	Trading and installation of mechanical handling equipment, truck mounted hydraulic speed loaders, and etc, fabrication work, and after sales service and repairs.	Singapore	**100**	100
Wong Fong Academy Pte. Ltd.(1)	Training and consultancy services.	Singapore	**80**	80
CE Asia Holdings Pte. Ltd.(3)	Investment holding.	Singapore	**65**	65
WFVEN Pte. Ltd.(3)	Investment holding.	Singapore	**100**	100
1Summit Global Pte. Ltd.(3)	Investment holding.	Singapore	**100**	100
Subsidiaries held by Wong Fong Engineering Works (1988) Pte. Ltd.				
Wong Fong Pte. Ltd.(3)	Investment holding.	Singapore	**100**	100
Ascendo International Holdings Pte. Ltd.(3)	Investment holding.	Singapore	**60**	60
Subsidiary held by Wong Fong Pte. Ltd.				
Wong Fong Myanmar Company Limited(5)	Distribution, rental and marketing services of heavy machinery and construction machinery including their spare parts, accessories and engineering works.	Myanmar	**60**	60
Subsidiaries held by Ascendo International Holdings Pte. Ltd.				
Ascendo Academy Pte. Ltd.(1)	Business management, consultancy services and conducting of food hygiene courses.	Singapore	**100**	100
Ascer Pte. Ltd.(1)	Corporate training services in safety and consultancy services in risk management.	Singapore	**100**	100
Ascendo Group International Pte. Ltd.(3)	Corporate training services and motivational course provider.	Singapore	**100**	100
Educare Human Capital Private Limited(4)	Provision of educational services and recruitment of personnel.	Singapore	**95**	95

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting rights held 2020 %	2019 %
Educare International Consultancy Pte. Ltd.[4]	Providing quality educational and consultancy services to schools, teachers, parents and the community.	Singapore	**95**	95
HTMi Hotel and Tourism Management Institute Pte. Ltd.[1][6]	Commercial schools offering higher education programmes.	Singapore	**100**	–
Subsidiary held by Wong Fong Academy Pte. Ltd.				
Smatra Training Hub Pte. Ltd.[1]	Safety, quality consultancy, management services, training and education services.	Singapore	**100**	100
Subsidiary held by CE Asia Holdings Pte. Ltd.				
CE Asia Heavy Machinery Sdn. Bhd.[2]	Mechanical engineering works and installation of industry machinery and all kinds of machinery component parts.	Malaysia	**100**	100

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

(2) Audited by Grant Thornton Malaysia PLT.

(3) Audited by Law Piang Woon & Co.

(4) Audited by Law Piang Woon & Co. In 2019, audited by Prudential Public Accounting Corporation.

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

(6) On July 1, 2020, the Group acquired 1,934,000 ordinary shares in HTMi Hotel and Tourism Management Institute Pte Ltd, representing 100% of the issued and paid-up capital of the subsidiary.

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

Principal activities	Place of incorporation and operation	Number of wholly owned subsidiaries 2020	2019
Investment holding	Singapore	**3**	3
Trading of machinery and equipment	Singapore	**1**	1
		4	4

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries 2020	2019
Investment holding	Singapore	**2**	2
Training and consultancy services	Singapore	**8**	7
Trading of machinery and equipment	Malaysia and Myanmar	**2**	2
		12	11

Details of non-wholly owned subsidiaries that have material non-controlling interests are as below:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests for the year		Non-controlling interest	
		2020	2019	2020	2019	2020	2019
		%	%	$'000	$'000	$'000	$'000
CE Asia Holdings Pte. Ltd.	Singapore	**35**	35	**(73)**	(137)	**(1,063)**	(994)
Wong Fong Academy Pte Ltd.	Singapore	**20**	20	**18**	190	**417**	399
Ascendo International Holdings Pte. Ltd.	Singapore	**40**	40	**457**	12	**2,838**	2,381
Individually immaterial subsidiaries with non-controlling interests				**32**	(39)	**128**	91
				434	26	**2,320**	1,877

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

	CE Asia Holdings Pte. Ltd.		Wong Fong Academy Pte. Ltd.		Ascendo International Holdings Pte. Ltd.	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	**1,894**	2,338	**2,474**	2,320	**8,571**	4,951
Non-current assets	**1,941**	2,021	**3,025**	3,560	**7,243**	7,704
Current liabilities	**(5,899)**	(6,137)	**(1,496)**	(1,699)	**(5,738)**	(3,290)
Non-current liabilities	**(970)**	(1,060)	**(1,868)**	(2,137)	**(1,815)**	(2,223)
Equity attributable to owners of the Company	**(1,971)**	(1,844)	**1,718**	1,645	**5,423**	4,761
Non-controlling interests	**(1,063)**	(994)	**417**	399	**2,838**	2,381

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	CE Asia Holdings Pte. Ltd.		Wong Fong Academy Pte. Ltd.		Ascendo International Holdings Pte. Ltd.	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	**1,485**	2,411	**3,569**	5,758	**11,996**	7,809
Expenses	**(1,694)**	(2,803)	**(3,478)**	(4,809)	**(10,876)**	(7,766)
Profit (Loss) for the year	**(209)**	(392)	**91**	949	**1,120**	43
Profit (Loss) attributable to owners of the Company	**(136)**	(255)	**72**	759	**663**	31
Profit (Loss) attributable to non-controlling interests	**(73)**	(137)	**18**	190	**457**	12
Profit (Loss) for the year	**(209)**	(392)	**90**	949	**1,120**	43
Other comprehensive income (loss) attributable to owners of the Company	**8**	3	**–**	–	**–**	–
Other comprehensive income (loss) attributable to non-controlling interests	**4**	1	**–**	–	**–**	–
Other comprehensive income (loss) for the year	**12**	4	**–**	–	**–**	–
Total comprehensive income (loss) attributable to owners of the Company	**(128)**	(252)	**72**	759	**663**	31
Total comprehensive income (loss) attributable to non-controlling interests	**(69)**	(136)	**18**	190	**457**	12
Total comprehensive income (loss) for the year	**(197)**	(388)	**90**	949	**1,120**	43
Dividends paid to non-controlling interests	**–**	–	**–**	–	**–**	–
Net cash inflow (outflow) from operating activities	**332**	(81)	**1,286**	1,338	**1,226**	398
Net cash inflow (outflow) from investing activities	**1**	16	**(13)**	(451)	**(277)**	176
Net cash inflow (outflow) from financing activities	**(103)**	(136)	**(857)**	(635)	**(821)**	(383)
Net cash inflow (outflow)	**230**	(201)	**416**	252	**128**	191

14(a) INVESTMENT IN ASSOCIATE

	Group	
	2020	**2019**
	$'000	**$'000**
Cost of investment in associate	**140**	140
Share of post-acquisition loss, net of dividends received	**(140)**	(83)
	–	57

14(a) INVESTMENT IN ASSOCIATE (CONTINUED)

Details of the Group's associate at the end of the reporting period are as follows:

Name of associate	Country of incorporation and operation	Proportion of ownership interest and voting rights held 2020 %	2019 %	Principal activities
SkillsSG Ventures Pte. Ltd.	Singapore	**19.5**	19.5	International training provider from Singapore for skills development and competency based training programmes.

The associate is accounted for using the equity method in the consolidated financial statements as set out in the Group's accounting policies in Note 2.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with Financial Reporting Standards in Singapore ("FRS").

	2020 $'000	2019 $'000
Current assets	**278**	314
Non-current assets	**–**	–
Current liabilities	**(7)**	(2)
Non-current liabilities	**–**	–
Revenue	**–**	33
Loss for the year, representing total comprehensive income for the year	**(37)**	(315)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these consolidated financial statements:

	2020 $'000	2019 $'000
Net assets of the associate	**271**	312
Proportion of the Group's ownership interest	**19.5%**	19.5%
Other adjustments	**(53)**	(4)
Carrying amount of the Group's interest in the associate	**–**	57

14(b) INVESTMENT IN JOINT VENTURE

	Group 2020 $'000	2019 $'000
Cost of investment in joint venture	**76**	76
Share of post-acquisition loss, net of dividends received	**(76)**	(76)
	–	–

14(b) INVESTMENT IN JOINT VENTURE (CONTINUED)

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Country of incorporation and operation	Proportion of ownership interest and voting rights held		Principal activities
		2020 %	2019 %	
Ascendo International Myanmar Co. Limited	Myanmar	**30**	30	Corporate training and consultancy services.

The joint venture is accounted for using the equity method in the consolidated financial statements as set out in the Group's accounting policies in Note 2.

15 INVESTMENTS IN FINANCIAL ASSETS

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Investments in debt instruments classified as at FVTOCI[(i)]				
Corporate bonds	**759**	–	**759**	–
Investments in equity instruments designated as at FVTOCI[(ii)]				
Unlisted shares	**90**	–	**–**	–
Financial assets measured at FVTPL[(iii)]				
Listed shares	**1,571**	–	**1,571**	–
Corporate bonds	**1,041**	–	**1,041**	–
	2,612	–	**2,612**	–
	3,461	–	**3,371**	–

(i) The investments in listed corporate bond issued by CapitalLand Treasury Limited and CMT MTN Pte Ltd are paying 2.90% and 2.15% of interest per annum respectively and the bonds will mature in year 2032. At maturity, the Group will receive nominal amount of $750,000. 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 7.6% of the ordinary share capital of Botsync Pte. Ltd., a Singapore-based robotics start-up. The valuation methodology for the investment is disclosed in Note 4(c)(vi).

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 $Nil (2019: $Nil) in view of the operating losses and net capital deficiency position of the entity.

15 INVESTMENTS IN FINANCIAL ASSETS (CONTINUED)

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.

Note 4(c)(iv) details 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.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current liabilities				
Trade payables:				
– outside parties	**5,147**	5,426	**–**	–
Deferred revenue[(1)]	**190**	229	**–**	–
Advanced billings[(2)]	**3,680**	3,620	**–**	–
Deferred grant income	**443**	110	**–**	–
Other payables:				
– outside parties	**838**	587	**153**	2
– related parties[(3)]	**1,150**	1,859	**–**	–
– subsidiary	**–**	–	**137**	139
– accrued expenses	**4,652**	2,214	**206**	167
– others	**525**	418	**–**	6
	7,165	5,078	**496**	314
Total	**16,625**	14,463	**496**	314
Non-current liabilities				
Deferred grant income	**84**	131	**–**	–

(1) Revenue relating to the provision of training courses is recognised when such courses are being conducted. The consideration received up-front upon registration is recognised as deferred revenue. The Group's revenue recognised during the year that was included in the amount at the beginning of the period is $229,000 (2019: $196,000).

(2) Amount relates to advance consideration received from customers for sales of equipment which is recognised as revenue when control of the equipment has transferred to the customer, being at the point when goods are delivered. The Group's revenue recognised during the year that was included in the amount at the beginning of the period is $1,439,000 (2019: $775,000).

(3) $350,000 (2019: $350,000) pertains to payable to directors of a subsidiary, $800,000 (2019: $789,000) pertains to the earn-out payable to the previous owners/founders of Ascendo Group, who remained as directors of the subsidiary, and $Nil (2019: $720,000) pertains to the consideration payable to owners of the newly acquired subsidiaries in 2019, who remained as non-controlling shareholders of the subsidiaries.

16 TRADE AND OTHER PAYABLES (CONTINUED)

The average credit period taken for trade purchases is 60 days. No interest is charged on the trade payables.

Amounts due to related parties are unsecured, interest-free and repayable on demand.

17 LEASE LIABILITIES

	Group	
	2020	**2019**
	$'000	**$'000**
Maturity analysis:		
Year 1	**1,752**	1,434
Year 2	**1,342**	1,325
Year 3	**933**	1,180
Year 4	**348**	949
Year 5	**251**	340
Year 6 onwards	**4,980**	5,079
	9,606	10,307
Less: Unearned interest	**(2,213)**	(2,410)
	7,393	7,897
Analysed as:		
Current	**1,532**	1,181
Non-current	**5,861**	6,716
	7,393	7,897

The Group does not face a significant liquidity risk with regard to its lease liabilities.

18 BANK BORROWINGS

	Group	
	2020	**2019**
	$'000	**$'000**
Secured borrowings at amortised cost		
Bank loans	**5,906**	4,448
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,073)**	(830)
Amount due for settlement after 12 months	**4,833**	3,618

The bank borrowings are secured by the Group's land and buildings (Note 10) and corporate guarantees given by the Company and certain directors.

The Group's bank borrowings consist of:

(a) A secured term loan with carrying amount of $1,033,000 (2019: $1,102,000) drawn down by a subsidiary from a bank. The loan is repayable over 20 years commencing from October 2014. The loan bears interest at 2.30% per annum below the bank's base financing rate. The effective interest rate for the year is 3.18% (2019: 4.53%) per annum.

(b) A secured term loan with carrying amount of $3,346,000 in 2019 drawn down by a subsidiary from a bank. The loan was repayable in 10 years commencing from August 2016. The loan bore interest ranging from 3.15% to 3.51% per annum. The loan was fully repaid in 2020.

18 BANK BORROWINGS (CONTINUED)

(c) A 5-year Temporary Bridging Loan ("TBL") under Enterprise Financing Scheme with principal amount of $5,000,000 drawn down by a subsidiary from a bank. The TBL Programme was introduced by the Singapore Government with the purpose of providing financial support to alleviate cashflow needs of enterprises affected by COVID-19. The loan is repayable over 5 years commencing from September 2020. The loan bears interest at 2% per annum.

Changes in liabilities arising from financing activities

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

			Non-cash changes				
	January 1, 2020 $'000	Financing cash flows[1] $'000	Acquisition of subsidiary (Note 32) $'000	New leases $'000	Lease termination $'000	Foreign exchange movement $'000	December 31, 2020 $'000
Lease liabilities (Note 17)	**7,897**	**(1,349)**	**992**	**175**	**(322)**	**–**	**7,393**
Bank borrowings (Note 18)	**4,448**	**1,462**	**–**	**–**	**–**	**(4)**	**5,906**
	12,345	**113**	**992**	**175**	**(322)**	**(4)**	**13,299**

					Non-cash changes		
	December 31, 2018 $'000	Adoption of SFRS(I) 16 $'000	January 1, 2019 $'000	Financing cash flows[1] $'000	New leases $'000	Foreign exchange movement $'000	December 31, 2019 $'000
Lease liabilities (Note 17)	225	6,000	6,225	(821)	2,493	–	7,897
Bank borrowings (Note 18)	5,277	–	5,277	(827)	–	(2)	4,448
	5,502	6,000	11,502	(1,648)	2,493	(2)	12,345

(1) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

19 DEFERRED TAX LIABILITIES

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

	Group			
	Accelerated tax depreciation $'000	Intangible assets $'000	Others $'000	Total $'000
At January 1, 2019	1,091	713	(36)	1,768
Credit to profit or loss for the year (Note 26)	(3)	(69)	(7)	(79)
At December 31, 2019	1,088	644	(43)	1,689
Credit to profit or loss for the year (Note 26)	(42)	(65)	(17)	(124)
At December 31, 2020	**1,046**	**579**	**(60)**	**1,565**

20 SHARE CAPITAL

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At the beginning and end of the year	**235,000,000**	235,000,000	**11,351**	11,351

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

21 RESERVES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Foreign exchange translation reserve	**313**	300	**–**	–
Capital reserve	**445**	445	**588**	588
Investments revaluation reserve	**(422)**	–	**9**	–
	336	745	**597**	588

Foreign exchange translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Company's functional currency, being Singapore dollars, are recognised directly in the translation reserves.

Movement in foreign exchange translation reserve:

	Group	
	2020	2019
	$'000	$'000
At beginning of the year	**300**	308
Exchange differences on translating the net assets of foreign operations	**13**	(8)
At end of the year	**313**	300

Capital reserve

(i) Capital reserve at the Group level represents the gain on acquisition/disposal of additional interest in subsidiaries from/to non-controlling interest shareholders.

(ii) Capital reserve at the Company level represents the fair value of 20% of the issued and paid-up share capital of WFA given to the previous owners/founders of Ascendo Group as part of the acquisition of 60% shareholdings in Ascendo Group by WFE in prior years. Management had assessed the fair value of 20% of the issued and paid-up share capital of WFA, of which the present value of the forecasted cash flow was discounted at 16.12%, resulting in a deemed interest of $588,000.

Investments revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of:

(i) investments in equity instruments designated as at FVTOCI; and

(ii) investments in debt instruments classified as at FVTOCI.

21 RESERVES (CONTINUED)

Movement in investments revaluation reserve:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At beginning of the year	**–**	–	**–**	–
Fair value loss on investments in equity instruments designated as at FVTOCI	**(431)**	–	**–**	–
Fair value gain on investments in debt instruments classified as at FVTOCI	**9**	–	**9**	–
At end of the year	**(422)**	–	**9**	–

22 REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the following major revenue streams which is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 30).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2020	2019
	$'000	$'000
Engineering		
– Equipment sales	**21,601**	27,696
– Repairs and servicing	**9,423**	11,712
– Projects	**2,951**	1,625
	33,975	41,033
Training	**15,303**	13,504
	49,278	54,537

23 OTHER OPERATING INCOME

	Group	
	2020	2019
	$'000	$'000
Commission income	**77**	102
Dividend income	**21**	–
Fair value changes on financial instruments	**7**	–
Gain on disposal of property, plant and equipment	**–**	23
Gain on disposal of financial assets	**23**	–
Gain on foreign exchange – net	**51**	–
Government grants	**3,666**	319
Interest income	**116**	173
Net gain arising on financial assets measured at FVTPL	**120**	–
Rental rebates and income	**215**	–
Reversal of allowance for inventories	**62**	–
Others	**84**	46
	4,442	663

In 2020, the Group received rental rebate of $372,000 relating to the property tax rebate from the Government which was mandated to be fully passed on by the landlord to the Group as a tenant and the rental relief under the Rental Relief Framework as mandated by the Government for the leased buildings.

23 OTHER OPERATING INCOME (CONTINUED)

For the property tax rebate fully passed on by the landlord, the Group recognised the amount as government grant income in profit or loss and the receivable for rental rebate has been offset against the lease liability.

For the rental relief, the Group accounted for the amount as negative variable rent in profit or loss and the receivable for rental rebate has been offset against the lease liability.

In 2020, the Group received wage support for local employees under the Jobs Support Scheme ("JSS") from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Management has determined the period of uncertainty to be 17 months commencing from April 2020. Government grant income of $2,431,000 was recognised during the year.

24 OTHER OPERATING EXPENSES

	Group	
	2020	**2019**
	$'000	**$'000**
Allowance for inventories and inventories written off	**–**	222
Entertainment expense	**64**	96
Impairment of goodwill	**35**	–
Insurance	**257**	277
Loss on disposal of property, plant and equipment	**43**	–
Loss on foreign exchange – net	**–**	114
Marketing expense	**78**	142
Printing and stationery	**158**	231
Professional fees	**605**	588
Property, plant and equipment written off	**10**	34
Property tax	**207**	211
Rental expenses	**15**	242
Repair and maintenance	**484**	649
Utility charges	**247**	239
Other expenses	**756**	618
	2,959	3,663

25 FINANCE COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Interest on lease liabilities	**261**	232
Interest on bank borrowings	**123**	180
Fair value changes on contingent consideration	**10**	55
Others	**66**	54
	460	521

26 INCOME TAX EXPENSE

	Group	
	2020	**2019**
	$'000	**$'000**
Current tax expense	**392**	603
Under (Over) provision in respect of prior years:		
– current tax	**10**	24
– deferred tax	**(7)**	3
Deferred tax (Note 19)	**(117)**	(82)
	278	548

Domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the profit before tax as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Profit before tax	**2,786**	2,841
Income tax expenses calculated at 17% (2019: 17%)	**474**	483
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3**	(27)
Tax effect of items that are not (taxable) deductible in determining taxable profits	**(286)**	112
Effect of tax incentives	**(42)**	(67)
Tax-exempt income and tax rebates	**(34)**	(47)
Under provision of tax in respect of prior years	**3**	27
Deferred tax assets not recognised	**117**	64
Others	**43**	3
	278	548

Subject to the agreement with the relevant tax authorities and compliance with conditions of the relevant tax legislations, the Group has the following unabsorbed capital allowance and unused tax losses available for offset against future taxable profits. No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available.

	Group Unabsorbed capital allowance and unutilised tax losses $'000
At January 1, 2019	2,974
Adjustment during the year	1,070
Arising during the year	333
At December 31, 2019	4,377
Adjustment during the year	(59)
Arising during the year	623
At December 31, 2020	**4,941**

27 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2020	2019
	$'000	$'000
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	**1,871**	1,799
– Depreciation of right of use assets	**1,386**	806
– Amortisation of intangible assets	**391**	417
Employment benefits expenses – directors of the Company:		
– Short term benefits	**640**	678
– Defined contribution plans	**24**	30
Employment benefits expenses – directors of subsidiaries:		
– Short term and other long term benefits	**1,886**	1,770
– Defined contribution plans	**159**	157
Directors' fees:		
– Directors of the Company	**126**	154
– Director of a subsidiary	**2**	2
Employee benefit expenses (including directors' remuneration):		
– Defined contribution plans	**1,339**	1,275
– Others	**14,547**	13,866
Audit fees:		
– paid to auditors of the Company	**155**	151
– paid to other auditors	**17**	19
Non-audit fees:		
– paid to auditors of the Company	**22**	20
– paid to other auditors	**5**	1
Impairment loss on financial assets:		
– Allowance for doubtful debts – trade	**201**	202
– Allowance for doubtful debts – non-trade	**–**	46
– Bad debts written off – trade	**17**	104
Net foreign exchange (gains) losses	**(51)**	114
Cost of inventories recognised as an expense	**21,269**	25,366
Expense relating to short-term leases and leases of low value assets	**–**	48
Expense relating to variable lease payments not included in the measurement of the lease liability	**–**	185
Fair value changes on derivative financial instruments	**(7)**	4
Intangible assets written off	**4**	–

28 DIVIDEND

2020

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

2019

– The Company declared and paid one-tier tax exempt final dividend and a special tax exempt dividend of $0.0038 and $0.0013 per share respectively (total of $1,199,000) to the shareholders of the Company in respect of financial year ended December 31, 2018. The dividend has been paid on May 23, 2019.

28 DIVIDEND (CONTINUED)

In respect of the current financial year, the directors proposed that final dividends of $0.0043 to be paid to the shareholders. The dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. The total estimated final dividends to be paid is $1,011,000.

29 COMMITMENTS

As at the end of the financial year, the Group has the following capital commitments:

	Group	
	2020 $'000	2019 $'000
Capital expenditure commitment	**49**	–

30 SEGMENT INFORMATION

For the purposes of resource allocation and assessment of segment performance, the Group's chief operating decision makers focus on the business operating units which are organised into engineering and training segments. This forms the Group's reportable segments under SFRS(I) 8.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Group			
	Revenue		Net Profit	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Engineering	**33,975**	41,033	**1,054**	1,339
Training	**15,303**	13,504	**2,149**	1,919
	49,278	54,537	**3,203**	3,258
Interest income			**116**	173
Other operating expenses[(i)]			**(16)**	(7)
Share of results of associate			**(57)**	(62)
Finance costs			**(460)**	(521)
Profit before tax			**2,786**	2,841
Income tax expense			**(278)**	(548)
Profit for the year			**2,508**	2,293

(i) Pertains mainly to research and development related expenses.

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of research and development related expenses, share of results of associate and joint venture, interest income, finance costs, and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

30 SEGMENT INFORMATION (CONTINUED)

Segment assets

	Group 2020 $'000	Group 2019 $'000
Engineering	**52,836**	51,349
Training	**19,406**	17,247
Total segment assets	**72,242**	68,596
Unallocated assets	**13,270**	13,128
Consolidated total assets	**85,512**	81,724

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 (Note 13), investments in associate and joint venture (Note 14) and investments in financial assets (Note 15). Goodwill has been allocated to the training segment. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.

Liabilities are not allocated as they are not monitored by the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Other segment information

	Group			
	Depreciation and amortisation		Additions to non-current assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Engineering	**1,642**	1,638	**326**	617
Training	**2,005**	1,384	**1,238**	3,288
Unallocated	**1**	–	**5**	–
Total	**3,648**	3,022	**1,569**	3,905

Geographical information

The Group's operates predominantly in Singapore (country of domicile), except for two (2019: two) subsidiaries operating in Malaysia and Myanmar.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investment in associate and joint venture and financial instruments) by geographical location are detailed below:

	Group			
	Revenue from external customers		Non-current assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Based on location of customer				
Singapore	**46,995**	50,626	**27,465**	29,923
Others	**2,283**	3,911	**1,984**	2,040
	49,278	54,537	**29,449**	31,963

30 SEGMENT INFORMATION (CONTINUED)

Information about major customers

There is no single customer accounted for more than 10% of the Group's total revenue.

31 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following data:

	Group	
	2020	**2019**
	$'000	**$'000**
Earnings per ordinary share ("EPS")		
Profit for the year attributable to owners of the Company	**2,073**	2,267
Weighted average number of ordinary shares for the purpose of earnings per share	**235,000,000**	235,000,000
EPS – Basic and diluted (cents)	**0.88**	0.96

There were no dilutive equity instruments for 2020 and 2019.

32 ACQUISITION OF SUBSIDIARIES

2020

On July 1, 2020, the Group acquired 100% of the issued share capital of HTMi Hotel and Tourism Management Institute Pte Ltd ("HTMi") for total consideration of $150,000.

HTMi is an entity incorporated in Singapore and its principal activity is that of commercial schools offering higher education programmes. The Group has acquired HTMi to further boost its existing training and consultancy business.

Assets acquired and liability assumed at the date of acquisition

	July 1, 2020
	$'000
Non-current asset	
Property, plant and equipment	**34**
Current assets	
Cash and cash equivalents	**30**
Trade and other receivables, net of allowance	**184**
Current liability	
Trade and other payables	**(109)**
Assets acquired net of liability assumed	**139**
Consideration paid	**150**
Goodwill arising on acquisition	**11**

32 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net cash inflow on acquisition of subsidiary

	July 1, 2020 **$'000**
Consideration paid in cash	**(150)**
Cash and cash equivalent balances acquired	**30**
	120

Impact of acquisition on the results of the Group

Included in the Group's profit for the year is a loss of $712,000 attributable to the additional business generated by HTMi. Revenue for the period from HTMi amounted $28,000.

Had the business combination during the year been effected at January 1, 2020, the revenue of the Group would have been $49,385,000, and the profit for the year would have been $1,941,000.

2019

On July 31, 2019, the Group acquired 95% of the issued share capital of Educare Human Capital Private Limited ("EHC") and Educare International Consultancy Pte Ltd ("EIC") for total consideration of $709,000 and $121,000 respectively.

EHC is an entity incorporated in Singapore and its principal activity is that of providing educational services and recruitment of personnel.

EIC is an entity incorporated in Singapore and its principal activity is that of providing quality educational and consultancy services to schools, teachers, parents and the community.

The Group had acquired EHC and EIC to further boost its existing training and consultancy business.

Assets acquired and liability assumed at the date of acquisition

	July 31, 2019 **$'000**
Current assets	
Cash and cash equivalents	621
Trade and other receivables, net of allowance	572
Current liability	
Trade and other payables	(457)
Assets acquired net of liability assumed	736

Non-controlling interest

The non-controlling interest (5%) in EHC and EIC recognised at the acquisition date was measured by reference to the net carrying amount of the subsidiaries.

32 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Goodwill arising on acquisition of subsidiaries

	July 31, 2019 $'000
Consideration paid and payable	830
Add: Non-controlling interest	37
Less: Fair value of identifiable net assets acquired	(736)
Goodwill arising on acquisition	131

Net cash inflow on acquisition of subsidiaries

	July 31, 2019 $'000
Consideration paid in cash	(110)
Cash and cash equivalent balances acquired	621
	511

Impact of acquisition on the results of the Group

Included in the Group's profit for the year is a loss of $170,000 attributable to the additional business generated by EHC and EIC. Revenue for the period from EHC and EIC amounted $1,541,000.

Had the business combination during the year been effected at January 1, 2019, the revenue of the Group would have been $57,362,000, and the profit for the year would have been $2,072,000.

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2021

Number of issued shares	:	235,000,000
Issued and fully paid-up capital	:	S$11,350,674
Number of treasury shares held	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2021, approximately 26.39% of the issued shares of the Company were held by the public and therefore Rule 723 of the Catalist Rules has been complied with.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	12	3.43	7,600	0.00
1,001 – 10,000	82	23.43	600,500	0.26
10,001 – 1,000,000	243	69.43	23,047,200	9.81
1,000,001 and above	13	3.71	211,344,700	89.93
	350	100.00	235,000,000	100.00

TOP 23 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	WONG FONG INVESTMENTS PTE LTD	158,280,000	67.35
2	LEE CHONG SENG	11,520,000	4.90
3	KGI SECURITIES (SINGAPORE) PTE. LTD	10,220,000	4.35
4	LEE TECK LEONG	9,644,000	4.10
5	UOB KAY HIAN PTE LTD	5,300,000	2.26
6	KOH BOON HWEE	3,200,000	1.36
7	LEW SIEW CHENG	3,069,000	1.31
8	NG ENG SENG	2,587,400	1.10
9	PE KOK BOON	1,800,000	0.77
10	TAN ENG HUI	1,800,000	0.77
11	DBS NOMINEES PTE LTD	1,634,300	0.70
12	PHILLIP SECURITIES PTE LTD	1,192,000	0.51
13	HAN SEE KWANG	1,098,000	0.47
14	HAN CHOON SIANG	896,500	0.38
15	SIM SEM PENG	800,000	0.34
16	WHANG CHIN KEONG	700,000	0.30
17	WONG SIEW KEONG	599,600	0.26
18	TEHC INTERNATIONAL PTE LTD	530,000	0.23
19	RAFFLES NOMINEES (PTE) LIMITED	506,500	0.22
20	ER KEE SING	500,000	0.21
21	LILY LIM HWEE LI	500,000	0.21
22	POH CHOON KAH	500,000	0.21
23	WONG KOH HOI	500,000	0.21
		217,377,300	92.52

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2021

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interests No. of shares	Direct Interests Percentage (%)	Deemed Interests No. of Shares	Deemed Interests Percentage (%)
Wong Fong Investments Pte. Ltd.	158,280,000	67.35	–	–
Liew Ah Kuie(1)	–	–	158,280,000	67.35
Liew Khuen Choy(2)	–	–	158,280,000	67.35
Jimmy Lew Holding Pte. Ltd.(3)	–	–	158,280,000	67.35
Liew Chern Yean(4)	–	–	158,280,000	67.35
Lew Chern Yong (Liu Zhengrong)(4)	–	–	158,280,000	67.35
Ng Thye Eng(5)	140,000	0.06	158,280,000	67.35

Notes:

(1) Liew Ah Kuie holds approximately 27.96% of the issued and paid-up share capital in Wong Fong Investments Pte. Ltd. ("**Wong Fong Investments**"), which in turn holds 158,280,000 shares in the Company. Accordingly, Liew Ah Kuie is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the Securities and Futures Act (Cap. 289) ("**SFA**").

(2) Liew Khuen Choy holds approximately 22.37% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 158,280,000 shares in the Company. Accordingly, Liew Khuen Choy is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(3) Jimmy Lew Holding Pte. Ltd. ("**Jimmy Lew Holding**") holds approximately 40.39% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 158,280,000 shares in the Company. Accordingly, Jimmy Lew Holding is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(4) Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) each holds 25% of the issued and paid-up share capital in Jimmy Lew Holding, which in turn is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments. Accordingly, Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) are deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(5) Ng Thye Eng holds 20% of the issued and paid-up share capital in Jimmy Lew Holding, which in turn is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments. Accordingly, Ng Thye Eng is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA. Ng Thye Eng is the spouse of the late Lew Kit Foo @ Liew Foo who ceased to be a substantial Shareholder subsequent to his demise on 10 August 2018.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting ("**AGM**") of **Wong Fong Industries Limited** (the "**Company**") will be held by way of electronic means on Wednesday, 28 April 2021 at 10.00 a.m. to transact the following business:

As Ordinary Business

1. To receive and adopt the directors' statement and the audited financial statements of the Company for the financial year ended 31 December 2020 ("**FY2020**") together with the auditors' report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 0.43 Singapore cents per ordinary share for FY2020. **(Resolution 2)**

3. To re-elect the following directors of the Company ("**Directors**") retiring in accordance with Regulation 114 of the Company's constitution ("**Constitution**").

   Mr Liew Chern Yean **(Resolution 3)**
   Mr Lew Chern Yong **(Resolution 4)**
   [See Explanatory Note (i)]

4. To approve the sum of S$140,000/- as Directors' fees for the financial year ending 31 December 2021 and the payment thereof on a semi-annually in arrears. **(Resolution 5)**

5. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other business that may be transacted at an AGM.

As Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **Authority to allot and issue shares in the capital of the Company**

   That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**") and the Constitution, authority be and is hereby given to the Directors to (i) allot and issue new ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing shareholders of the Company ("**Shareholders**") shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of this resolution, after adjusting for (i) new Shares arising from the conversion or exercise of the Instruments or any convertible securities; (ii) new Shares arising from exercising of any share options or vesting of share awards outstanding and/or subsisting at the time of passing of this resolution provided that such options or awards (as the case may be) were granted in compliance with the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(c) in exercising such authority conferred by this resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being; and

(d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next AGM; or (ii) the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to grant awards and issue Shares pursuant to the Wong Fong Performance Share Plan**

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to:

(i) offer and grant awards ("**Awards**") from time to time in accordance with the provisions of the Wong Fong Performance Share Plan (the "**PSP**"); and

(ii) allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the vesting of Awards granted under the PSP,

provided always that the aggregate number of Shares issued and issuable pursuant to the Awards granted under the PSP, when added to (i) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (ii) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed 15% of the total issued Shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Sharon Yeoh
Company Secretary
Singapore, 13 April 2021

Explanatory notes on Ordinary Resolutions to be passed:

(i) **Resolutions 3 and 4** – Detailed information on Mr Liew Chern Yean and Mr Lew Chern Yong can be found in the Company's FY2020 annual report. Mr Liew Chern Yean, if re-elected as a Director, will remain as Executive Director. Mr Lew Chern Yong, if re-elected as a Director, will remain as Non-Independent Non-Executive Director and member of the Audit Committee, Nominating Committee and Remuneration Committee.

Mr Liew Chern Yean and Mr Lew Chern Yong are siblings. They are the nephews of Mr Liew Ah Kuie, Co-Founder and Group CEO.

Both Messrs Liew Chern Yean and Lew Chern Yong each holds 25% of the issued and paid-up share capital in Jimmy Lew Holding Pte Ltd, which in turn is deemed to be interested in the 158,280,000 Shares held by Wong Fong Investments Pte Ltd, a substantial Shareholder. Accordingly, Messrs Liew Chern Yean and Lew Chern Yong are deemed to be interested in the 158,280,000 Shares held by Wong Fong Investments Pte Ltd pursuant to Section 4 of the Securities and Futures Act.

Save as disclosed above and in the Company's FY2020 annual report, Messrs Liew Chern Yean and Lew Chern Yong have no relationship with the Company, its related corporations, its substantial Shareholders or its officers.

(ii) **Resolution 7** in item 7 above, if passed, will empower the Directors to allot and issue Shares and convertible securities in the Company up to an amount not exceeding 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the total number of Shares issued other than on a pro rata basis to existing Shareholders, shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

(iii) **Resolution 8** in item 8 above, if passed, will empower the Directors to offer and grant Awards under the PSP, and to allot and issue Shares pursuant to the vesting of Awards granted under the PSP, provided that the aggregate number of Shares issued and issuable pursuant to the PSP, when added to (i) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (ii) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

Notes:

1. In view of the safe distancing regulations to hold physical meetings and to minimise physical interactions and COVID-19 transmission risk, the Company will be conducting its AGM by electronic means and Shareholders will NOT be allowed to attend the AGM in person pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time). Printed copies of this notice will not be sent to members. Instead, this notice will be published on the Company's website at the URL http://www.wongfongindustries.com and on the SGX's website at the URL http://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement dated 13 April 2021.

3. The live webcast will not provide for online voting. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the AGM as proxy, failing which the appointment will be treated as invalid.

4. The Chairman of the AGM, as proxy, need not be a member of the Company.

5. Investors whose Shares are held with relevant intermediaries under Section 181(1C) of the Companies Act, Chapter 50, such as CPF and SRS investors, who wish to appoint the Chairman of the AGM as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators.

6. The proxy form must be submitted through any one of the following means: (a) by post, mailed it to the registered office of the Company at 79 Joo Koon Circle, Singapore 629107 or (b) by email to wongfong-agm@complete-corp.com, in each case, not less than 72 hours before the time fix for holding the AGM, and failing which, the proxy form will not be treated as valid. **In view of the current COVID-19 situation, members are strongly encouraged to submit completed and signed proxy forms electronically via email.** Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change the arrangements for the AGM at short notice. Members are advised to check the announcement on SGXNET for the latest updates on the status of the AGM.

7. The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the AGM which was delivered by a member to the Company before 10.00 a.m. on 25 April 2021 as a valid instrument appointing the Chairman of the AGM as the member's proxy to attend, speak and vote at the AGM if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and (b) the member has not withdrawn the appointment.

8. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the AGM to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of Chairman of the AGM as proxy appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name) may be recorded by the Company for such purpose.

WONG FONG INDUSTRIES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 201500186D)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. In view of the safe distancing regulations to hold physical meetings and to minimise physical interactions and COVID-19 transmission risk, the AGM (as defined below) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
   Printed copies of this proxy form will not be sent to shareholders. Instead, this proxy form will be published on the Company's website at the URL http://www.wongfongindustries.com and on the SGX's website at the URL http://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying announcement dated 13 April 2021. The announcement may be accessed at the Company's website at the URL http://www.wongfongindustries.com and on the SGX's website at the URL http://www.sgx.com/securities/company-announcements.
3. A shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the AGM.
4. This proxy form is not valid for use by SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. Prior to the AGM, shareholders are encouraged to email their questions via the Pre-registration website at the URL https://complete-corp.com/wongfong-agm/ no later than 10.00 a.m. on 25 April 2021.
6. **PLEASE READ THE NOTES TO THE PROXY FORM WHICH CONTAIN INSTRUCTIONS ON, *INTER ALIA*, THE APPOINTMENT OF THE CHAIRMAN OF THE AGM AS A SHAREHOLDER'S PROXY TO ATTEND, SPEAK AND VOTE ON HIS/HER BEHALF AT THE AGM.**

I/We ______________________ NRIC/Passport/Co.Registration No. ______________________

of ____

being a member/members of WONG FONG INDUSTRIES LIMITED ("**Company**") hereby appoint the Chairman of the annual general meeting of the Company ("**AGM**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the AGM, to be held by electronic means on Wednesday, 28 April 2021 at 10.00 a.m. and at any adjournment thereof.

		Number of Votes		
No.	**Resolutions Relating To:**	**For***	**Against***	**Abstain***
	AS ORDINARY BUSINESS			
1	Directors' Statement and the audited financial statements of the Company for the financial year ended 31 December 2020 ("**FY2020**") together with the auditors' report thereon			
2	Payment of proposed first and final tax exempt (one-tier) dividend of 0.43 Singapore cents per ordinary share for FY2020			
3	Re-election of Mr Liew Chern Yean as a director of the Company ("**Director**")			
4	Re-election of Mr Lew Chern Yong as a Director			
5	Approval of Directors' fees for the financial year ending 31 December 2021			
6	Re-appointment of Deloitte & Touche LLP as auditors of the Company			
	AS SPECIAL BUSINESS			
7	Authority to allot and issue shares in the capital of the Company ("**Shares**")			
8	Authority to grant awards and issue Shares pursuant to the Wong Fong Performance Share Plan			

* *If you wish to appoint the Chairman of the AGM as your proxy to exercise all your votes, please indicate your vote "For" or "Against" or "Abstain" with a "√" within the boxes provided. Alternatively, if you wish to exercise some and not all of your votes "For" and Against" the resolution and/or to abstain from voting in respect of the resolutions, please indicate the number of votes "For", the number of votes "Against" and/or the number "Abstain" in the boxes provided for the resolutions.*

Dated this __________ day of __________________ 2021

Total Number of Shares Held

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

Notes:

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.

4. This instrument appointing the Chairman of the AGM as proxy must:

   (a) if by post, mailed to the registered office of the Company at 79 Joo Koon Circle, Singapore 629107; or

   (b) if submitted by email, please email to wongfong-agm@complete-corp.com,

   in either case, by 10.00 a.m. on 25 April 2021 (being not less than 72 hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation, members of the Company are strongly encouraged to submit completed and signed proxy forms electronically via email.

5. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Chapter 50, who is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   (c) Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   Investors whose Shares are held with relevant intermediaries including CPF and SRS investors, who wish to appoint the Chairman of the AGM as proxy, should approach their respective intermediaries such as SRS Operators to submit their voting instructions at least seven (7) working days prior to the date of the AGM.

6. The instrument appointing the Chairman of the AGM must be under the hand of the appointor or of his attorney duly authorised in writing or where it is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the AGM is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall if required by law, be duly stamped must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy/(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of AGM dated 13 April 2021.

WWW.WONGFONGINDUSTRIES.COM

SINGAPORE

Wong Fong Engineering Works (1988) Pte Ltd
79 Joo Koon Circle, Singapore 629107
Tel: (65) 6861 6555 Fax: (65) 6861 3230
www.wongfong.com

Wong Fong Production Facility
16 Tuas Avenue 6, Singapore 639303
Tel: (65) 6863 0063

1Summit Global Pte Ltd
Wong Fong Academy Pte Ltd
79 Joo Koon Circle, Singapore 629107
Tel: (65) 6863 3686 Fax: (65) 6863 3885
www.wfa.sg

Ascendo Academy Pte Ltd
Ascer Pte Ltd
9 Little Road, #02-01, Singapore 536985
Tel: (65) 6398 0067 Fax: (65) 6309 0503
www.ascendo.sg
www.ascerhr.com

Educare Human Capital Private Limited
Educare International Consultancy Pte Ltd
9 Little Road, #02-01, Singapore 536985
Tel: (65) 6398 0067 Fax: (65) 6309 0503
www.ehc.sg
www.eic.educare.sg

HTMi Hotel and Tourism Management Institute Pte Ltd
51 Cuppage Rd, #03-06, Singapore 229469
Tel: (65) 6815 4528
www.htmi.sg

MALAYSIA

CE Asia Heavy Machinery Sdn Bhd
No. 21, Jalan Kempas Utama 3, Kempas Utama Industrial Park
81200 Johor Bahru, Johor, Malaysia
Tel: (60) 7559 0188 Fax: (60) 7559 0272
www.ceasia.my

MYANMAR

Wong Fong Myanmar Co., Ltd.
No. 1107/1108, Thit Taw Street 2, Ward 13
East Dagon Township, Yangon, Myanmar
Tel: (95) 9 777 667 758