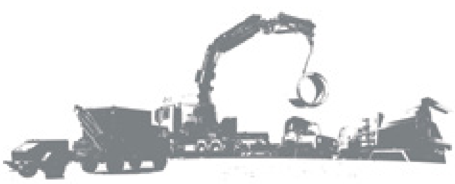

# WONG FONG INDUSTRIES



## ENGINEERING POSSIBILITIES

ANNUAL REPORT 2016

# CONTENTS



This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this annual report.

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

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

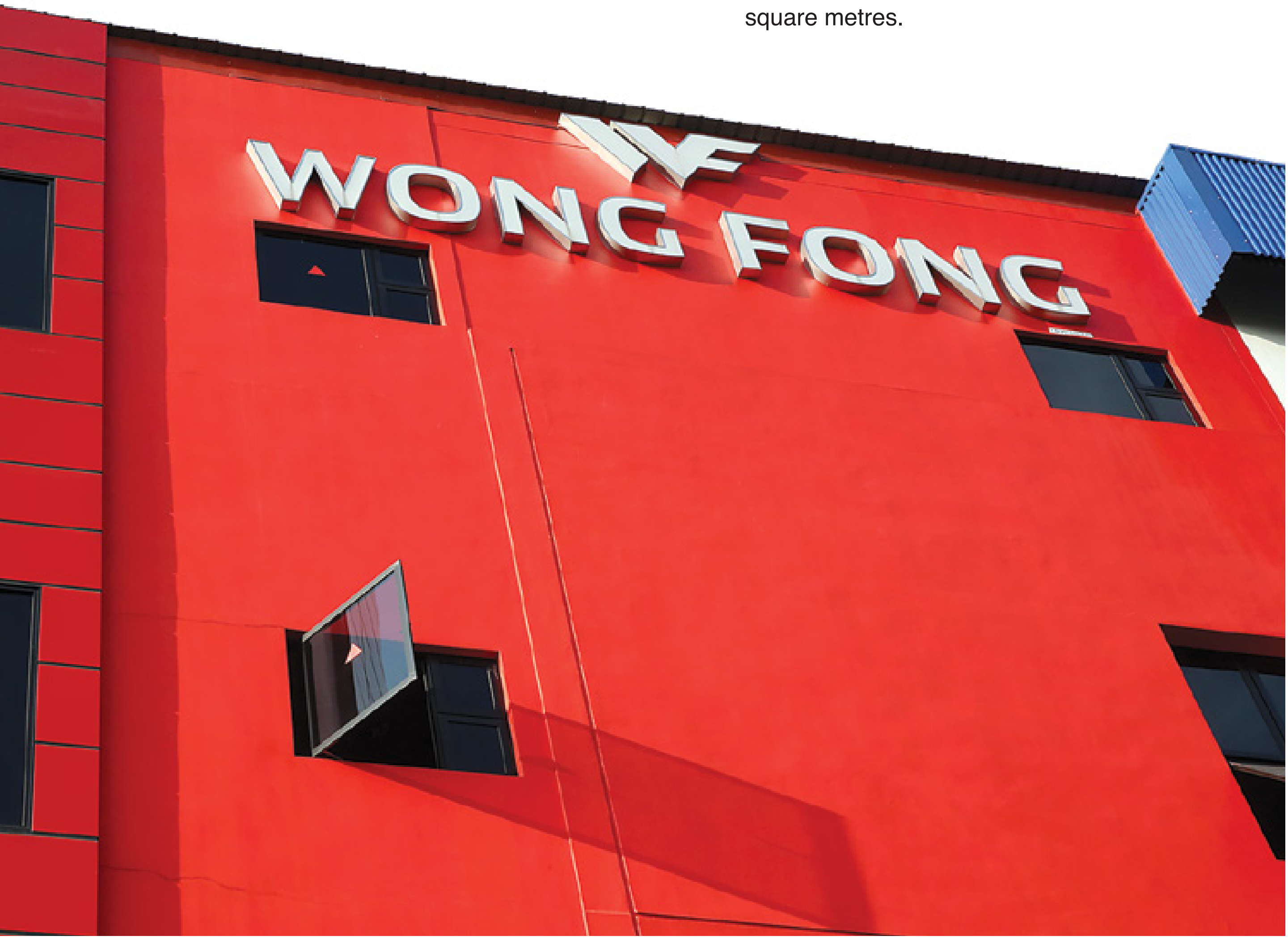
# CORPORATE PROFILE

With origins tracing back to 1964, Wong Fong Industries Limited ("**Wong Fong**" or the "**Company**" or the "**Group**") is one of the leading providers of land transport engineering solutions and systems for various industries, with a presence in Singapore, Malaysia, Myanmar and the People's Republic of China ("**PRC**").

Wong Fong distributes and installs equipment and components, and provides innovative engineering solutions for load handling systems, waste management systems as well as assistive technology and mobility aids. It owns one of the largest service centres for truck-mounted cranes, hookloaders and tailgates in Singapore and also provides accredited training courses related to the infrastructure development and manufacturing industries under Wong Fong Academy ("**WFA**").

The Group also has a well-honed research and innovation edge through Wong Fong Research and Innovation Centre ("**WFRIC**"). Established in 2013, WFRIC focuses on developing new products and engineering and industrial solutions to cater to the demands of an ever-changing industrial landscape.

Its manufacturing facilities in Singapore and Malaysia have a combined land area of approximately 16,500 square metres.



# OUR BUSINESS

A leading provider of land transport engineering solutions and systems for various industries including logistics, construction, waste management and defence, Wong Fong has a presence in Singapore, Malaysia, Myanmar and the PRC with a broad customer base comprising more than 3,000 customers. The Group operates 4 complementary businesses comprising Equipment Sales, Projects, Repairs and Servicing, and Training.

**Equipment Sales**

- Specialises in the sale and installation of load handling systems and waste management systems as well as assistive technology and mobility aids.
- Range of products and solutions include truck-mounted cranes, tailgates, tippers, self-loaders, hookloaders and portable compactors.
- Dealerships for several leading global brands such as *Palfinger, Dhollandia* and *Pöttinger.*
- Exclusive dealer for *Palfinger*, the world's leading brand for cranes, in Singapore and authorised dealer in Malaysia.
- Offers a variety of in-house brands for construction, logistics and waste management needs.

**Projects**

- Provides design, customisation, fabrication and integration services to meet the specific requirements of customers.
- Notable projects include customisation of special purpose vehicles and solutions (defence solutions) and provision of add-on armour solutions for homeland security and defence use (extreme armour solutions).
- Team of industrial designers, engineers and technicians, with advanced facilities and comprehensive resources.

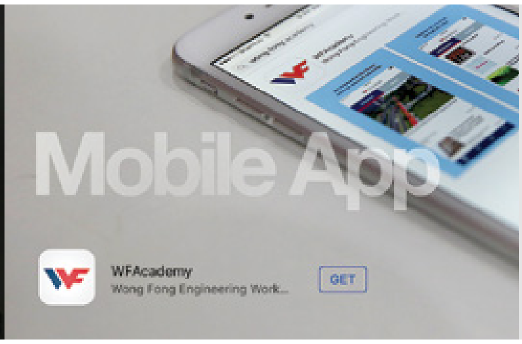
## Inspection, Repairs and Servicing

- Operates one of the largest service centres for truck-mounted cranes, hookloaders and tailgates in Singapore.
- Team of qualified and experienced servicing staff to handle equipment breakdowns and servicing needs.
- 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.

## Training

- An approved Public Training Organisation under the Workforce Skills Qualifications Framework.
- Provides accredited training courses including 15 Singapore Workforce Skills Qualifications courses on operation of industrial equipment, risk management implementation and supervision of safe lifting operations.
- WFA was one of three winners of the inaugural InnovPlus Flame Award organised by iN.LAB[1], for developing Virtual Reality capabilities for its training programmes.

[1] iN.LAB is an initiative of SkillsFuture Singapore to promote adoption of technology-enabled Continuing Education and Training (CET) in Singapore. It is managed by the Institute for Adult Learning.




# OUR BUSINESS

### Research and Innovation

WFRIC
WORLD

- Provides customers with constantly improving and innovative engineering and industrial solutions.
- Reinforces the Group's reputation as one of the leading specialists in load handling systems.
- Sources for the latest products and technology in the market.
- Researches future trends in business.

Products developed under WFRIC:

- HERK doorlift
- Fibre-reinforced plastic tailgate
- Designs and develops new products

New areas for product and service development:

- Military
- Urban material regeneration
- Specialised vehicles
- Electric-mobility




# KEY MILESTONES

## The way of Wong Fong

### 2016


Vanda Electrics Pte. Ltd. ("**Vanda Electrics**") established in January to commercialise electric-mobility solutions and electric motor vehicles inventions.

In July, Wong Fong, the holding company of the Group, successfully listed on SGX-ST Catalist.

In October, we incorporated Wong Fong Myanmar Company Limited, a 60%-owned subsidiary in Myanmar.

Executive Director, Eric Lew, nominated Singaporean of the Year by The Straits Times for driving innovations at Wong Fong.

### 2014

WFRIC Shenzhen Co., Ltd set up to serve customers in the PRC.

WFE awarded 14th place in the 2014 Enterprise 50 Awards.

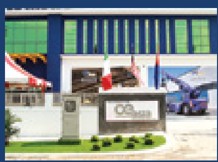
### 2013

WFRIC established to focus on R&D of engineering solutions.

WFE awarded 27th place in the 2013 Enterprise 50 Awards.

### 2012

Wong Fong acquired 65% interest in CE Asia Holdings Pte. Ltd. to expand into Malaysia and Indonesia.



### 2011

WFA set up to provide accredited training courses across various industries.

### 2008

WFE acquired 5,500 square metres production facility at 16 Tuas Avenue 6.

### 2004

WFE named one of top 500 small and medium enterprises in Singapore in the SME 500 award.

### 1999

WFE made its first foray into the defence industry when it secured tender to design and supply maintenance vehicles for military use.

### 1997

WFE became sole distributor in Singapore for the *Palfinger* brand of cranes, a world leader in cranes.

### 1994

WFE acquired current premise, 79 Joo Koon Circle, as new headquarter.

WFE's annual turnover hit an excess of S$23 million, with staff strength of 100.

### 1980s

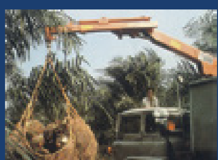
Wong Fong Engineering Works (1988) Pte Ltd ("**WFE**") was incorporated.

WFE made its first foray into the waste management industry and diversified into other products beyond truck-mounted cranes and hydraulic equipment.

### 1970s

Engineering Works appointed exclusive contractor by leading UK-based MNC to install and service its cranes and hydraulic equipment.

Built up expertise in installing and servicing truck-mounted cranes and hydraulic equipment.



### 1964

Founder and Chairman of Wong Fong, Jimmy Lew set up Wong Fong Engineering Works Company to service truck equipment along Upper Bukit Timah Road.

# MESSAGE FROM CHAIRMAN AND MANAGING DIRECTOR

Dear Shareholders,

It is our pleasure to present Wong Fong's inaugural annual report for the financial year ended 31 December 2016 ("**FY2016**"). Our journey as a publicly-listed company began when our shares started trading on the Catalist board of the Singapore Exchange Securities Trading Limited on 28 July 2016. We are grateful for the strong support, and we want to assure all investors that the management and the board of directors ("**Board**" or "**Directors**") will work hard to achieve sustainable and long term growth for the Group.

Following our listing, the Group marked yet another milestone in September with the official opening of our revamped and expanded corporate headquarter and production facility at 79 Joo Koon Circle. With the doubling of the built-up area to approximately 128,000 square feet, we are able to expand and enhance our capabilities to support the production of innovative products and solutions that are being developed by WFRIC. Our headquarter has also received the Green Mark 'Gold' certification by the Building and Construction Authority of Singapore for harnessing solar energy via solar panels. We are one of the early adopters of such building features in our industry, and we believe this will help to position Wong Fong as a forward-thinking market leader.

## DRIVEN BY INNOVATION

The Group has indeed come a long way since it started as a humble truck equipment servicing workshop in 1964. While our core business has generated steady revenue streams over the years, we have also seen how technology and market trends are constantly changing, and the importance of staying ahead of competition.

As such, at the heart of our vision and everything we do is *innovation* – how we use market information and trends to spot opportunities and innovatively create solutions to pre-empt demand. In doing so, we are continually strengthening our business model to increase its resilience and further expand our recurring income base.

The execution of this strategy is clearly seen in our venture into the Training arena, which we have identified as a growth catalyst for the Group. Since 2015, the training team has grown steadily from 2 staff to a team of 16. In less than 2 years, WFA became one of 7 organisations to attain the Public Training Organisation status under the Workforce Skills Qualifications Framework (Construction Sector). With this appointment, we are now able to provide 15 accredited training courses for the infrastructure development and manufacturing sectors. To distinguish ourselves from other training courses service providers, we are also using innovative technology such as Virtual Reality, interactive and multi-lingual software to make our courses more effective for our clients.

The establishment of WFA and its training programmes dovetails with the Singapore government's push to restructure the economy and move up the value chain. The recent Singapore Budget 2017 included initiatives to help workers deepen their skillsets to adapt to new industry needs or technological trends through retraining. As part of the Budget, more than S$1 billion in funds have been allocated annually to SkillsFuture training for eligible Singaporeans till 2020, and some of our courses are eligible for SkillsFuture credits. Ultimately, our aim is to establish WFA as a leading one-stop provider of a diverse range of training courses for various industry segments over the next 5 years. Hence, we will be intensifying our efforts to grow WFA in 2017.

## ENGINEERING POSSIBILITIES

At the operating level, we are constantly innovating through technology to re-engineer and re-design our various work processes to enhance our production capabilities.

Through WFRIC, we have also been able to bring game-changing ideas and cutting-edge solutions to our customers. Our in-house team has successfully designed and developed new products such as the HERK doorlift and the fibre-reinforced plastic tailgate, which have reinforced our reputation as one of the leading specialists in load handling systems.

At the same time, we are continuing our work on new product development, namely in military and homeland security, urban material regeneration, specialised commercial vehicles and e-mobility.

## EXPANDING NEW MARKETS

Apart from organic growth in Singapore, we are also seeking to grow our order book and production capacity overseas. In October 2016, we incorporated a 60%-owned subsidiary in Myanmar which will be engaged in the distribution, rental and marketing of various machinery and related parts. Barring any unforeseen circumstances, we will be starting a fully equipped Operations and Service Centre in the second half of 2017, and also provide on-site repairs and maintenance services.

In Malaysia, on the back of a growing order book, we are also exploring potential expansion opportunities beyond our current manufacturing facilities in Johor Bahru, operated under our 65%-owned subsidiary, CE Asia Holdings Pte. Ltd.

## PERFORMANCE REVIEW AND OUTLOOK

For FY2016, we posted a slight decline in revenue of 9.6% to S$70.2 million from S$77.6 million for the financial year ended 31 December 2015 ("**FY2015**"), largely due to reduced contribution from our Equipment Sales segment. This was partially offset by higher revenue contributions from both our Projects and Training segments. Revenue contribution from our Repairs and Servicing segment remained stable.

Consequently, our net profit attributable to owners of the Company declined to S$3.6 million in FY2016, from S$5.6 million in FY2015.

While we expect the construction industry to be strongly supported by government projects in 2017, the weakness in the oil and gas industry may affect the logistics industry to which we supply. Notwithstanding the challenging business environment, we are taking the opportunity to undertake process and product innovation, form strategic alliances, invest in retooling and capability enhancements as well as re-training our staff. While this may have a short term impact on our bottom line, it should position us well to ride on the next wave of growth when the economy recovers.

## DIVIDENDS

The Board is pleased to propose a first and final tax-exempt (one tier) cash dividend of 0.3 Singapore cents per share, which translates into a dividend payout of approximately 20% of the Group's net profit attributable to owners of the Company.

## APPRECIATION

In closing, we would like to thank our Board for their strategic counsel; our management team and employees for their commitment and hard work; our customers and business partners for their loyal support; and last but not least, our shareholders for your confidence in the Group.

Your support, combined with our vision for Wong Fong, gives us the optimism to look forward to the future. We hope you will continue to support us as we work towards achieving an improved and sustainable long-term performance for the Group.

Yours sincerely

**JIMMY LEW**
EXECUTIVE CHAIRMAN

**JAMES LIEW**
DEPUTY CHAIRMAN AND
MANAGING DIRECTOR

# FINANCIAL HIGHLIGHTS

**(Financial year ended 31 December)**

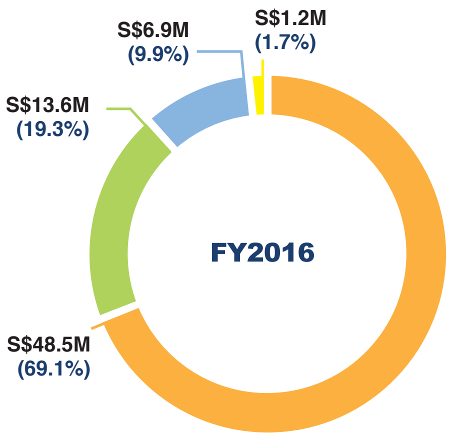
### Revenue

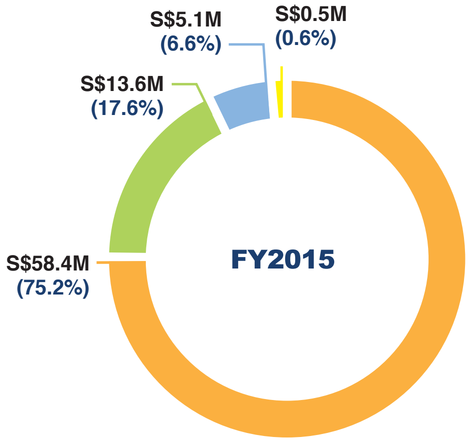
| S$'million | **FY2016** | FY2015 | FY2014 |
|---|---|---|---|
| | **70.2** | 77.6 | 79.7 |

### Net profit attributable to owners of the Company

| S$'million | **FY2016** | FY2015 | FY2014 |
|---|---|---|---|
| | **3.6** | 5.6 | 6.2 |

### Revenue by Segments

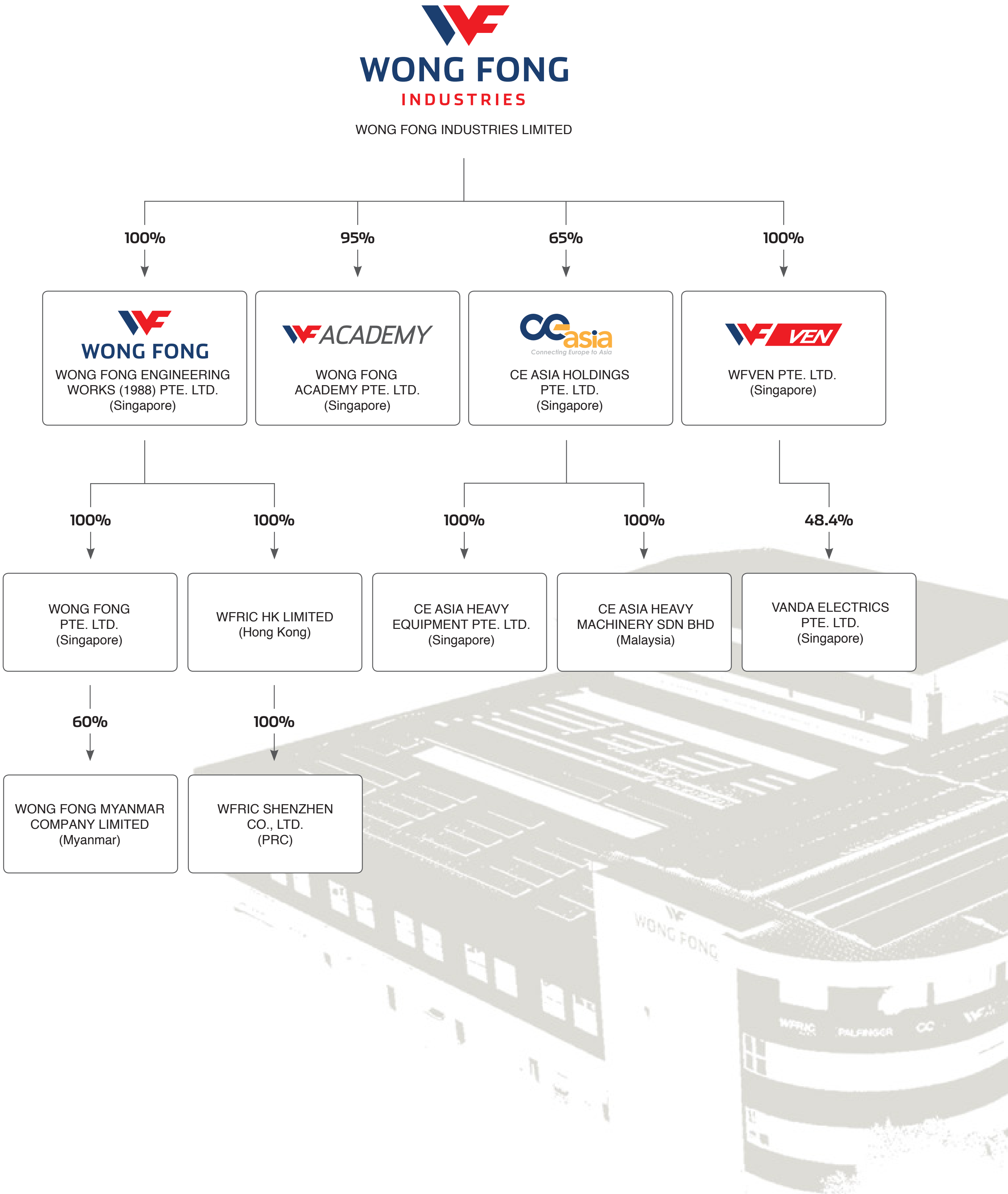



Equipment Sales | Repairs and Servicing | Projects | Training

# CORPORATE STRUCTURE

**(As at 31 December 2016)**



# OPERATIONS AND FINANCIAL REVIEW

### Review of Income Statement

| | FY2016 S$'000 | FY2015 S$'000 | Change % |
|---|---|---|---|
| **Revenue** | **70,203** | 77,623 | (10) |
| Other operating income | **959** | 1,007 | (5) |
| Changes in inventories of finished goods and work-in-progress, and materials and consumables used | **(47,450)** | (53,128) | (11) |
| Employee benefits expense | **(12,933)** | (13,565) | (5) |
| Depreciation expense | **(1,631)** | (1,276) | 28 |
| Other operating expenses | **(4,669)** | (4,763) | (2) |
| Finance costs | **(314)** | (190) | 65 |
| Share of results of associate | **(200)** | - | n.m. |
| **Profit before tax** | **3,965** | 5,708 | (31) |
| Income tax expense | **(496)** | (375) | 32 |
| **Profit for the year** | **3,469** | 5,333 | (35) |
| **Profit attributable to owners of the Company** | **3,581** | 5,621 | (36) |

In FY2016, the Group's total revenue decreased by 10% to S$70.2 million, from S$77.6 million in FY2015. This was mainly due to a 17% decline in revenue from Equipment Sales to S$48.5 million, from S$58.4 million in FY2015, resulting from a challenging business environment, increased competition and a decrease in sales of high-value equipment. This was partially offset by a 35% increase in contribution from Projects of S$6.9 million as more equipment units were completed and delivered. The Group's business division, Training, saw revenue more than double to S$1.2 million, from S$0.5 million in FY2015 due to an increase in WDA-approved programmes secured.

In line with the lower revenue from Equipment Sales, purchases of equipment during the year also decreased. This led to a 11% decline in changes in inventories of finished goods and work-in-progress, and materials and consumables used, to S$47.5 million from S$53.1 million in FY2015.

Operating expenses, including employee benefits expense, were 4% lower as the decrease in provision for employee bonuses and rental expense due to the expiration of a rental building at 11 Joo Koon Circle, was partially offset by an increase in allowance for inventories, expenses for the official opening of Wong Fong's revamped headquarter and insurance premium for additional workman compensation and keyman insurance.

Depreciation expense rose by 28% to S$1.6 million, from S$1.3 million in FY2015 due mainly to an increase in depreciation expense for the Group's revamped leasehold land and building at 79 Joo Koon Circle, as well as plant and equipment.

Finance costs increased by 65% to S$0.3 million, from S$0.2 million in FY2015 as the Group increased its bank borrowings to finance the expansion of 79 Joo Koon Circle and the acquisition of plant and equipment.

Consequently, profit attributable to owners of the Company declined by 36% to S$3.6 million in FY2016 from S$5.6 million in FY2015.

## Review of Financial Position

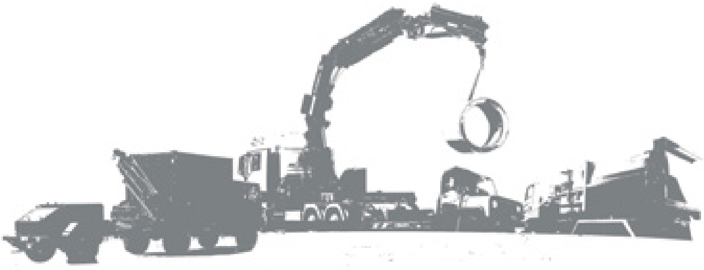
As at 31 December 2016, the Group's current assets rose by 4% to S$44.3 million from S$42.4 million as at 31 December 2015, on the back of increases in cash and bank balances, and inventories of S$4.2 million and S$0.2 million respectively. This was partially offset by a decrease in trade and other receivables of S$2.6 million, which was in line with the decrease in revenue.

The completion of the four-storey annex building at 79 Joo Koon Circle boosted non-current assets by 10% to S$22.2 million, bringing total assets to S$66.5 million as at end FY2016.

The Group's current liabilities were reduced by 35% to S$16.1 million mainly due to a decrease in trade and other payables of S$5.5 million and a decrease in bank borrowings of S$3.6 million with the conversion of a short term loan into a long term loan. Consequently, long term borrowings was raised by S$4.6 million to S$6.2 million. Together with an increase in finance leases, non-current liabilities increased to S$7.1 million as at end FY2016, from S$2.3 million as at end FY2015.

As at end FY2016, the Group's net asset value was S$44.1 million, up from S$36.1 million in FY2015, translating to a net asset value per share of 18.76 cents.

| S$'000 | **As at 31 Dec 2016** | As at 31 Dec 2015 |
|---|---|---|
| Current assets | **44,262** | 42,426 |
| Non-current assets | **22,222** | 20,160 |
| **Total assets** | **66,484** | 62,586 |
| Current liabilities | **16,095** | 24,848 |
| Non-current liabilities | **7,063** | 2,296 |
| **Total liabilities** | **23,158** | 27,144 |
| Share capital | **11,351** | 4,800 |
| Accumulated profits | **32,388** | 31,023 |
| Reserves | **352** | 316 |
| Non-controlling interests | **(765)** | (697) |
| **Total equity** | **43,326** | 35,442 |



| | **FY2016 S$'000** | FY2015 S$'000 |
|---|---|---|
| Net cash flows from operating activities | **3,967** | 10,930 |
| Net cash flows used in investing activities | **(2,823)** | (5,216) |
| Net cash flows generated from (used in) financing activities | **3,088** | (1,020) |
| Cash and cash equivalents at beginning of the year | **16,352** | 11,688 |
| Net increase in cash and cash equivalents | **4,232** | 4,694 |
| Effect of foreign exchange rate changes | **(14)** | (30) |
| Cash and cash equivalents at end of the year | **20,570** | 16,352 |

In FY2016, the Group generated net cash flow from operating activities of S$4.0 million, which included S$1.8 million used for working capital arising from higher inventories and lower trade and other payables, which were partially offset by lower trade and other receivables.

Net cash used in investing activities amounted to S$2.8 million mainly due to the purchased property, plant and equipment for its annex building at 79 Joo Koon Circle.

Net cash generated from financing activities amounted to S$3.1 million in FY2016 mainly due to proceeds from its initial public offering, which was partially offset by payment of dividends, share buyback and repayment of bank borrowings and finance leases.

As a result, the Group's cash and cash equivalents increased by S$4.2 million to S$20.6 million in FY2016.

# CORPORATE RESPONSIBILITY

## SOCIAL COMMITMENT

### Employment and Overall Well-Being

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 develop and grow our human capital.

Wong Fong's 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. Accordingly in FY2016, the C2H Committee organised many fun-filled activities to engage and encourage a healthy lifestyle among Wong Fong employees.

Activities included:
- Weekly Zumba lessons
- Regular badminton games
- Regular futsal games
- Regular lunch talks by health professionals
- Workplace Safety and Health Council's ("**WSH Council**") Vision Zero Campaign Funwalk - 17 April 2016
- The New Paper Big Walk - 26 November 2016
- Gym, swimming and table tennis as well as gardening

Caring for our employees also extends to their family members. Childcare bonus, capped at 2 children, is given to all staff whose child is 12 years old and below. Wong Fong believes working hand in hand in the spirit of mutual respect is vital to the firm. To promote communications between employees, department heads are encouraged to form team bonding activities at least once per calendar year.

### Health and Safety

Wong Fong has always placed safety as a top priority and we continuously strive to provide a healthy, safe and functional work environment for our people. Hence, we have established a Workplace Health and Safety Committee ("**WSHC**"), headed by a senior Board Member, which actively seeks to adopt and inculcate the highest possible safety and health best practice throughout the workplace.

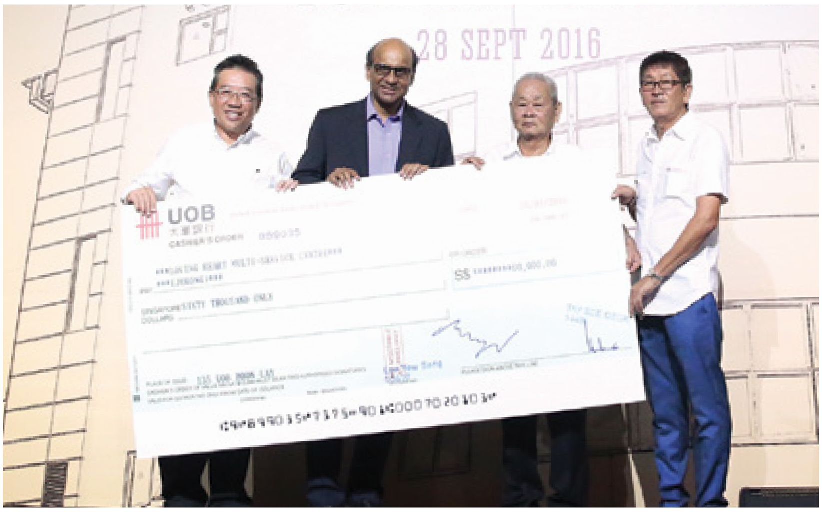
We have also invested in training and re-training programmes on safety awareness to instill and reinforce a safety and security conscious culture in our employees at all levels.

Through concerted efforts at all levels, Wong Fong successfully attained the bizSAFE Level Star certification issued by the Ministry of Manpower's WSH Council.

### Training and Learning

Key aspects of our career development programme include:

- On-the-job training or mentorship by senior staff.
- Periodic in-house training and demonstrations e.g. Palfinger Product Training and IT Security Awareness Training.
- External training to upgrade skill and to keep abreast of latest industry developments.
- 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 more responsibilities.


### Community Investment

From staff volunteerism to corporate contributions and donations, Wong Fong is a strong believer in giving back to society. As such, Wong Fong is a regular and active participant in programmes organised by the Yellow Ribbon Project and the Singapore Red Cross.

- Yellow Ribbon Prison Run on 4 September 2016 where our staff took part in the run to promote public awareness and raise acceptance of ex-offenders reintegrating into society. We have donated a total of S$6,000 to the Yellow Ribbon Project in support of this event.
- Red Cross Flag Day on 6 March 2016 where staff and their family members took tin cans to the streets to raise money for Red Cross.

Leading by example, our Chairman and Deputy Chairman had, in their personal capacity, donated S$60,000 to the Loving Heart Multi-Service Centre (“**Loving Heart**”) during a corporate event. Loving Heart is a non-profit voluntary welfare organisation started in 2004 to service the residents and community of Jurong Central Constituency and Jurong GRC.

## Environmental Commitment

### Solar Power

In a bid to go Green, Wong Fong had installed about 20,000 square feet of solar panels on the roof of our revamped headquarter at 79 Joo Koon Circle that should enable us to convert up to 25% or 230kwh of Wong Fong's electricity requirements. In addition, we had also incorporated a roof garden with over 53 plant and fruit species which should help improve the heat insulation for the building and in turn, reduce our electricity consumption from air conditioners.

Our headquarter had been awarded the Green Mark 'Gold' certification by the Building and Construction Authority.

### Water Consumption

A strategic approach to water management and quality enhances the efficiency, resilience and long term value of the Group's portfolio. Wong Fong is committed to reduce water consumption, reuse water and prevent water pollution.

Other than creating an innovative water retention system to harvest rainwater for irrigation and cleaning purposes, push taps had also been recently installed in all our washrooms, both of which led to a reduction in overall water consumption.

### ISO 14001 Committee

Wong Fong formed its ISO 14001 Committee in May 2015 with the primary objective of reducing our environmental impact from our daily work routines. For a start, it aims to introduce one resource conservation campaign each year and the current campaign is to reduce electricity usage by 2% as compared to last year.

## Investor Commitment

With the increasing call for a higher degree of corporate transparency among listed companies, Wong Fong is committed to disseminating accurate and up-to-date information to the market on a regular basis for all stakeholders as part of good corporate governance.

Shareholders have the opportunity to interact with the Board and the senior management at our annual general meeting ("**AGM**"). Voting is by way of polling and the results are announced immediately at the AGM and subsequently released via SGXNET.

Key aspects of our investor relations ("**IR**") programme last year include:

- Disclosure of accurate and timely information to the market on relevant websites - Singapore Exchange (www.sgx.com) and Wong Fong (www.wongfongindustries.com)
- Dedicated IR section and contact email (investors@wongfong.com) on www.wongfongindustries.com
- Investors' meetings in connection with our corporate results

Details of our corporate governance policies are set out on pages 27 to 44 of this Annual Report.

# BOARD OF DIRECTORS

**LEW KIT FOO @ LIEW FOO (JIMMY LEW)**
Executive Chairman

Date of first appointment: 2 January 2015

One of our founders, Mr Lew has been in the land transport engineering and hydraulic equipment business for more than 50 years and has been instrumental in the growth of the Group's business and operations. He oversees the overall business development and general management of the Group, formulating its strategic directions and expansion plans. In recognition of his public service in Singapore, Mr Lew was awarded Pingat Bakti Masyarakat (The Public Service Medal) in 2007. He is also the Vice Chairman of Bukit Panjang Khek Community Guild, Patron of Jurong Green Community Club and Vice Chairman of Hong Kah Secondary School's Advisory Committee.

**LIEW AH KUIE (JAMES LIEW)**
Deputy Chairman and Managing Director

Date of first appointment: 2 January 2015

One of our founders, Mr Liew 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

Mr Liew 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 conducting technical trainings for the Group's customers. 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)**
Executive Director

Date of first appointment: 2 January 2015

Mr Lew joined the Group in 2003 and assists the Executive Chairman, as well as Deputy Chairman and Managing Director, to manage the Group's overall strategic planning, human resources, research and development and business development functions. He is currently the Vice Chairman of the Waste Management and Recycling Association of Singapore. He started his career as an auditor with KPMG LLP after obtaining a Bachelor's Degree in Accountancy with a minor in Banking and Finance from the Nanyang Technological University in 1997.

## PAO KIEW TEE
Lead Independent Director

Date of first appointment: 28 June 2016
Chairman: Audit Committee
Member: Nominating Committee and Remuneration Committee

Mr Pao 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. He supervised a group responsible for auditing the financial statements and operation audits of government ministries and statutory boards. He is currently an independent director of SGX-ST-listed companies Mary Chia Holdings Limited, New Silkroutes Group Limited and Logistics Holdings Limited, and is also active in various grassroots organisations.

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.

## LEE YONG SOON
Independent Director

Date of first appointment: 28 June 2016
Chairman: Remuneration Committee
Member: Audit Committee and Nominating Committee

Mr Lee spent 15 years as the financial controller of Keppel FELS Ltd, managing the accounting, finance and administrative functions of the company and other subsidiaries within the Keppel group. During this period, he was also seconded to Keppel Verolme BV in the Netherlands as their chief financial officer and finance director.  Between 1968 and 1999, he managed several finance and administrative functions within the Keppel group, the Haw Par group and the Inchcape group of companies.

He obtained a Degree in Accountancy from the Association of International Accountants of the United Kingdom in 1981, and is a fellow of the Association of International Accountants of the United Kingdom, and an associate of the Institute of Chartered Secretaries and Administrators of Australia.

## TAN SOON LIANG
Independent Director

Date of first appointment: 28 June 2016
Chairman: Nominating Committee
Member: Audit Committee and Remuneration Committee

Mr Tan is currently the managing director of Ti Ventures Pte. Ltd., which provides corporate development and business transformation advisory services. In addition, he is a director of Omnibridge Investments Pte Ltd., Ominibridge Capital Pte Ltd. and Ti Investment Holdings Pte Ltd. that focus/invest in early growth stage venture capital investments, corporate development and entrepreneurial finance advisory services. He is also an independent director of ISDN Holdings Limited.

He obtained a Bachelor of Business (Honours) degree, majoring in Financial Analysis, from the Nanyang Technological University in 1997 and subsequently, a Master of Business Administration degree from the University of Hull, United Kingdom, in 2000. He is also a CFA charterholder since September 2000 as well as a member of the Singapore Institute of Directors since June 2011.

## ARTAWAT UDOMPHOLKUL (JOHN CORDOVA)
Independent Director

Date of first appointment: 28 June 2016
Member: Audit Committee, Nominating Committee and Remuneration Committee

Mr Cordova is currently the ASEAN special advisor and director of Espire Health Inc.. Prior to this, he was a director of Rising Tide Asia Pte. Ltd. from 2015 to 2017 and was a partner at Rajah & Tann Singapore LLP from 2012 to 2015. Between 1998 and 2012, he worked in various law firms including Richard Chandler Capital Corporation Pte. Ltd. (now known as Orient Global Services Pte. Limited), Clifford Chance in Bangkok, and Freshfields Bruckhaus Deringer in Singapore, Bangkok, Hong Kong and London. His areas of practice included banking and finance, and corporate finance.

He obtained a Bachelor of Laws with Upper Second Class Honours in Law with Philosophy from the University of Kent, Canterbury, United Kingdom, in 1995 and was admitted as a solicitor in England and Wales in September 2000.

# EXECUTIVE OFFICERS

## JACK WONG

Group Finance Director

Mr 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., 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 overseas and 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 associate at PricewaterhouseCoopers LLP ("**PWC**") after graduating with a Bachelor's Degree in Accountancy with a minor in Banking and Finance 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 joined the Group in 1979 and is currently its Operations Director. He started his career in 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 subsequently 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 its Sales Director in formulating marketing and sale strategies, and conducting marketing activities to promote the Group's products.

## LEW SIEW CHOO

Supply Chain Management and Information Technology Director

Ms Lew joined the Group in 2001 and is currently its Director (Supply Chain Management and Information Technology). She is in charge of managing the Group's supply chain, including developing and maintaining relationships with suppliers and vendors and developing and implementing policies and procedures for the Group's supply chain operations. She also oversees the Group's administrative and information technology functions.

She graduated from the National University of Singapore with a Bachelor's Degree in Business Administration in 1992.

## ALBERT LEE

Sales Director

Mr Lee joined the Group in 1988 and is responsible for its sales and marketing activities including the marketing of its 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 a Sales Director in 2013. Prior to joining the Group, he was a store service coordinator with George Cohen (Far East) Pte. Ltd. from 1973 to 1988 where he was responsible for all administrative and coordination functions at the store and service departments.

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**
Lew Kit Foo @ Liew Foo (Jimmy Lew), Executive Chairman
Liew Ah Kuie (James Liew), Deputy Chairman and Managing Director
Liew Chern Yean, Executive Director
Lew Chern Yong (Eric Lew), Executive Director
Pao Kiew Tee, Lead Independent Director
Lee Yong Soon, Independent Director
Tan Soon Liang, Independent Director
Artawat Udompholkul (John Cordova), Independent Director

**AUDIT COMMITTEE**
Pao Kiew Tee (Chairman)
Lee Yong Soon
Tan Soon Liang
John Cordova

**NOMINATING COMMITTEE**
Tan Soon Liang (Chairman)
Pao Kiew Tee
Lee Yong Soon
John Cordova

**REMUNERATION COMMITTEE**
Lee Yong Soon (Chairman)
Pao Kiew Tee
Tan Soon Liang
John Cordova

**COMPANY SECRETARY**
Yeoh Kar Choo Sharon, ACIS

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UOB Plaza
Singapore 048624

**SHARE REGISTRAR**
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

**AUDITOR**
Deloitte & Touche LLP
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809
Partner-in-charge: Hoe Chi-Hsien
Appointed since financial year 2016

**INVESTOR RELATIONS**
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**WWW.WONGFONGINDUSTRIES.COM**


**SINGAPORE**

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www.wongfong.com

**WONG FONG PRODUCTION FACILITY**
16 Tuas Avenue 6 Singapore 639303
Tel: (65) 68630063

**WONG FONG ACADEMY PTE. LTD.**
79 Joo Koon Circle, Singapore 629107
Tel: (65) 6863 3686 Fax (65) 6863 3885
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**MYANMAR**

**WONG FONG MYANMAR CO., LTD.**
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**CHINA**

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Tel: (86) 755 2919 3270
www.wfricworld.com

# EXECUTIVE OFFICERS

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Group Finance Director

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He commenced his career as an audit associate at PricewaterhouseCoopers LLP ("**PWC**") after graduating with a Bachelor's Degree in Accountancy with a minor in Banking and Finance 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.

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Supply Chain Management and Information Technology Director

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Sales Director

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John Cordova

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Lee Yong Soon
John Cordova

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Lee Yong Soon (Chairman)
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**SHARE REGISTRAR**
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**AUDITOR**
Deloitte & Touche LLP
6 Shenton Way
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Singapore 068809
Partner-in-charge: Hoe Chi-Hsien
Appointed since financial year 2016

**INVESTOR RELATIONS**
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Tel: (65) 6733 8873

# RISK FACTORS AND RISK MANAGEMENT

## BUSINESS & STRATEGY RISK

| Description of Risks | Managing the Risks |
|---|---|
| **Strategy Risks** | |
| • The Group is exposed to risks associated with its expansion plans such as merger and acquisition and settling up new business units.<br>• In addition, the Group cannot give assurance that the future plans will be successful. | • All new business collaboration, merger and acquisition are reviewed and approved by the management team. Where necessary, the inputs of the IDs are included as part of the overall management consideration.<br>• Upon Board approval, professional external parties are engaged to perform the necessary due diligence to ensure information and data consistency. Thereafter, the findings would be presented to the Board before the final agreement is signed. |
| **Competition Risks** | |
| • Wong Fong operates in a competitive environment and faces competition from new and existing competitors based in Singapore and elsewhere.<br>• The principle competitive factors for the industry and environment that we operate in include product quality, after-sales service, turnaround time and speed of delivery and pricing.<br>• No long term contracts with customers thus customers may decide to make purchase from competitors. | • The Group strives to maintain competitiveness through carrying a wide range of products, maintaining a high level of engineering expertise and design capabilities, strong brands and high levels of customer service.<br>• Employees are regularly sent for skills upgrading and product knowledge training. Outstanding employees are provided with scholarship for which they return to serve the Group thereafter. |
| **Market & Political Risks** | |
| • The Group currently operates in three countries and is exposed to inherent risks in doing business overseas, such as unexpected changes in legislation, regulatory requirements and government policies.<br>• In addition, the business operations are also dependent on the economic, political, legal and other conditions in these countries.<br>• Highly dependent on the level of activities in the infrastructure development, logistics waste management and defence industries. | • The Group monitors key economic indicators and keeps itself updated on business impacting policy changes.<br>• Close monitoring of the outlook of related industries in Singapore and overseas.<br>• Diversifying its business outside Singapore and expanding its range of services (eg. training) would mitigate country and industry risks. |

# RISK FACTORS AND RISK MANAGEMENT

| Description of Risks | Managing the Risks |
|---|---|
| **Regulatory Risks** | |
| • Our business is subjected to various laws, rules and regulations in the countries that we operate in.<br>• In addition, we require various licenses, permits and approvals to operate our business. | • Group maintains close working relationships with the relevant statutory bodies, professionals and consultants to keep abreast with business impacting regulatory changes.<br>• All necessary licenses, permits and approvals are obtained and renewed on a timely basis in accordance with applicable rules and regulations. |
| **Reputation Risks** | |
| • The Group may face negative publicity if there is mishandling of transactions or events. | • The Group values its reputation and has put in place an open communication programme to ensure timely and effective communication of key information to its stakeholders.<br>• Investor Relations contacts are published in our corporate website to further strengthen the communication with stakeholders.<br>• Key issues are surfaced to management early in order to minimise the potential reputation fallout. |
| **Business Continuity Risks** | |
| • An organisation may face unforeseen incidents or disasters which prevent the continuation of the business operations. | • The Group seeks to diversify the business continuity risks via country and business diversifications in order to reduce the potential impact from the fallout of any business unit. |
| **Foreign Labour Risks** | |
| • Dependent on foreign labour and may face labour shortages or increased costs of labour for Singapore and overseas operations. | • The Group seeks to innovate and increase the usage of productivity methods and processes via training and equipment upgrading.<br>• The Group intends to increase the recruitment and training of locals wherever possible. |

# RISK FACTORS AND RISK MANAGEMENT

| **Description of Risks** | **Managing the Risks** |
|---|---|

**Intellectual Property (IP) Rights Risk**

| | |
|---|---|
| • Subject to claims for infringement of third parties' intellectual property rights or may not be able to protect the intellectual property rights. | • The Group has registered, and have applied to register, trademarks and patents in Singapore to ensure protection of IPs rights. |

**FINANCIAL RISK**

**Liquidity Risks**

| | |
|---|---|
| • The Group funds its growth and operations through a combination of shareholders' equity (including accumulated profits) and net cash generated from operating activities and bank borrowings. | • The Group monitors its net operating cash flow periodically and maintains a level of cash and cash equivalents which is required to meet its daily working capital needs.<br>• In addition, the Group manages debt financing proactively to ensure financing requirements are met as and when required.<br>• There are existing standing arrangements with the Group's bankers to furnish credit and working capital lines when required. |

**Foreign Exchange Risks**

| | |
|---|---|
| • The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the entities within our Group. | • The Group undertakes hedging transactions to minimise foreign exchange rate fluctuations.<br>• The Group also works closely with the Bank's treasury department to ensure that open forex exposure is minimised. Wherever possible, the Group would adopt similar foreign currency for the buying and selling of the imported product. |

**Credit Risks**

| | |
|---|---|
| • Credit risk arises as there are uncertainties over the timeliness of customer's payments and their ability to meet their contractual payment obligations to the Group. | • The credit terms to customers are determined on a case-by-case basis depending on, amongst others, their credit and payment histories.<br>• Major collectability issues, if any, are highlighted during monthly sales and management meetings.<br>• Outstanding receivables are monitored and followed up closely by the finance controlling group. Delinquent accounts are flagged out for further management actions. |

# RISK FACTORS AND RISK MANAGEMENT

| Description of Risks | Managing the Risks |
|---|---|
| **Interest Rate Risks** | |
| • The Group is exposed to interest rate fluctuations from bank borrowings. | • The Group's cash balances are placed with reputable banks.<br>• For bank borrowings, the Group ensures the most favourable interest rates available without increasing its foreign currency exposure.<br>• The Group regularly reviews and, where possible, restructures, its loans to ensure that the most cost efficient loan are undertaken. |
| **Capital Structure Risks** | |
| • In managing capital, the Group's objective is to ensure the going concern of the Group and to maintain an optimal capital structure.<br>• The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings. | • The Group also 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.<br>• In order to maintain or achieve an optimal capital structure, the Group may issue new shares, reduce external borrowings and/or adjust the dividend payment to shareholders |
| **Price Risks** | |
| • Material costs may fluctuate in accordance with changes in global supply and demand.<br>• A significant rise in the prices of materials may adversely affect the Group's profit margin. | • The Group manages its price risks by fixing its material prices upon contract confirmation and may have a price adjustment arrangement with its suppliers and/or clients should there be wide fluctuations in the prices. |
| **Cost Overruns Risks** | |
| • Unforeseen additional costs such as price fluctuation, increase in labour costs and/or omission in estimation of internal costing may arise. | • Key project costings are reviewed and approved by senior managers and where applicable, the management team. Material costs are locked in with the respective suppliers upon contract confirmation.<br>• Work-in-progress and labour costs are monitored on a regular basis to minimise and contain any potential cost overrun. |

# RISK FACTORS AND RISK MANAGEMENT

| **Description of Risks** | **Managing the Risks** |
|---|---|

**OPERATIONAL RISK**

**Operational Risks**

| | |
|---|---|
| • The Group's operations are exposed to the risk of equipment failure, risk of failure by employees to follow procedures and protocols as well as inherent risks in operating equipment and machinery, resulting in damage to or loss of any relevant machines, equipment or facilities required in a project or personal injury. | • The Group strives to minimise unexpected losses and manage expected losses through standard operating procedures.<br>• The Group has been awarded ISO 9001:2008 and ISO 17020:2012 certification for its local subsidiaries.<br>• It has also achieved ISO 14001:2004 certification for its environmental management system to preserve natural resources and minimise wastage. |

**People Risks**

| | |
|---|---|
| • The Group is dependent on key management and skilled personnel for its continual success and growth. The success and growth to-date is largely attributable to the contributions and expertise of the Executive Directors and the Executive Officers, all of whom have extensive experience in the Group's business and relevant industries.<br>• Resignation and loss of the services of any of Executive Directors, Executive Officers or other key personnel without suitable and timely replacement or the inability to attract and retain qualified management personnel, may materially and adversely affect our business, results of operations and prospects. | • The Group provides employees with career development opportunities and work-life balance so as to ensure that human capital are nurtured and retained. Succession plans for senior management will be reviewed regularly by the Board.<br>• Talented employees are identified and groomed to take on managerial positions early in their career.<br>• Outstanding employees are given fully paid overseas and local scholarships that require service of a bond upon completion. |

# RISK FACTORS AND RISK MANAGEMENT

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

# RISK FACTORS AND RISK MANAGEMENT

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

# RISK FACTORS AND RISK MANAGEMENT

| **Description of Risks** | **Managing the Risks** |
|---|---|

**COMPLIANCE RISKS**

**Compliance Risks**

| | |
|---|---|
| • Wong Fong is subjected to various laws, rules and regulations in the countries operated in such as the continuing listing obligations of the SGX-ST and the Companies Act, etc. | • The Company had implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis.<br>• Whistle-blowing policy and annual declaration by staff on ethics had been implemented.<br>• Other than the engagement of statutory auditors, the Group had also engaged KPMG to conduct an annual review of its internal controls and reported their findings to the Audit Committee. |

**INFORMATION TECHNOLOGY RISK**

**Information Technology Risks**

| | |
|---|---|
| • Information technology ("**IT**") risks includes hardware and software failure, spam, viruses and malicious attacks. | • The Group's IT department and its external consultants periodically conduct a review and update of the Group's IT system including the overall integrity of its data and security. Where necessary, the Group would upgrade its IT requirements.<br>• It has adopted the necessary IT controls to alleviate the risk and is arranging for all relevant employees to attend IT Security Awareness Training. |

# CORPORATE GOVERNANCE REPORT

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

The Group has adopted the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") issued by the Monetary Authority of Singapore on 2 May 2012 and the disclosure guide (the "**Disclosure Guide**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in the preparation of this report.

The Group has complied substantially with the principles and guidelines of the Code and the Disclosure Guide. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations, where appropriate.

***Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with the management to achieve this objective and the management remains accountable to 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 roles taken by 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 for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and ensuring that the processes are adequate and effective;
- reviewing financial plans, major acquisitions and divestments, funding and investment proposals;
- monitoring the performance of the management;
- setting the Company's values and standards (including ethical standards);
- assuming responsibility for corporate governance; and
- considering sustainability issues such as environmental and social factors.

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

To assist the Board in the discharge of its responsibilities, various Board Committees, namely the Audit Committee ("**AC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**") have been constituted with clearly written terms of reference.

All Board Committees play 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.

# CORPORATE GOVERNANCE REPORT

The Board meets regularly and as warranted by circumstances. The schedule of all the Board and Board Committee meetings as well as the 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 Company's constitution ("**Constitution**") provides for Directors to conduct meetings by telephone, video conference or other methods of simultaneous communication.

The Company was listed on the Catalist Board of the SGX-ST on 28 July 2016. The number of Board and Board Committee meetings held in FY2016 and the attendance of Directors at these meetings, are disclosed as follows:

| | **Board** | **Audit Committee** | **Nominating Committee** | **Remuneration Committee** |
|---|---|---|---|---|
| Number of meetings held | 1 | 1 | 1 | 1 |
| Number of meetings attended: | | | | |
| Jimmy Lew | 1 | 1* | 1* | 1* |
| James Liew | 1 | 1* | 1* | 1* |
| Liew Chern Yean | 1 | 1* | 1* | 1* |
| Eric Lew | 1 | 1* | 1* | 1* |
| Pao Kiew Tee | 1 | 1 | 1 | 1 |
| Lee Yong Soon | 1 | 1 | 1 | 1 |
| Tan Soon Liang | 1 | 1 | 1 | 1 |
| John Cordova | 1 | 1 | 1 | 1 |

* 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 share; and
- declaration of dividends.

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

A formal letter of appointment is sent to the newly appointed Directors explaining clearly their duties and responsibilities as 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 familarise the new Director with his roles and responsibilities as well as the business of the Group. Such orientation programme includes relevant training for newly appointed Director who does not have any experience of being a director of a listed company in Singapore, 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.

***Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from the management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.***

The Board consists of 8 Directors, 4 of whom are Independent Directors. The Board is constituted as follows:

Jimmy Lew (Executive Chairman)
James Liew (Deputy Chairman and Managing Director)
Liew Chern Yean (Executive Director)
Eric Lew (Executive Director)
Pao Kiew Tee (Lead Independent Director)
Lee Yong Soon (Independent Director)
Tan Soon Liang (Independent Director)
John Cordova (Independent Director)

As the Chairman of the Board is part of the management team, the Independent Directors make up half the Board which complies with the relevant guidelines of the Code. As such, the NC believes that there is a strong and independent element on the Board and no individual or small group of individuals dominate the Board's decision making.

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

The NC has assessed the independence of the Independent Directors and noted that none of them has any relationships with the Company, its related corporations, the other Directors, its 10% Shareholders or any of 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 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 Board aims to comprise 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, the requirements of the business and the need to avoid undue disruptions from the changes to the composition of the Board and the Board Committees, the Board believes that the current composition and size of the Board and the Board Committees is appropriate to ensure the effectiveness of the decision making process.

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

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

***Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

The Company has a separate Chairman and Managing Director. Mr Jimmy Lew is the Executive Chairman and Mr James Liew is the Deputy Chairman and Managing Director. Mr Jimmy Lew and Mr James Liew are siblings and are part of the management team. The roles of the Executive Chairman and the Managing Director are separate and distinct with their own areas of responsibilities.

The Executive Chairman, Mr Jimmy Lew, plays a principal role in managing and providing leadership to the Board. In addition to overseeing the overall business development of the Group and formulating the Group's strategic directions and expansion plans, he ensures liaison between the management and the Board and also ensures that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements.

The Managing Director, Mr James Liew, oversees the Group's general operations, including human resources, management and general administration, as well as strategic planning for the Group's business expansion.

Given that the Chairman of the Board, Mr Jimmy Lew and the Managing Director, Mr James Liew are siblings, the Board has appointed Mr Pao Kiew Tee as the Lead Independent Director and is available to Shareholders where they have concerns and for which contact through the normal channels of the Chairman or the Group Finance Director has failed to resolve or is inappropriate. The Lead Independent Director also assures the effectiveness of corporate governance in managing the affairs of the Company.

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

The Independent Directors led by the Lead Independent Director, meet periodically without the presence of the other Directors, and the Lead independent Director provides feedback to the Executive Chairman after such meetings.

***Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.***

The NC comprises the Independent Directors, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr John Cordova. The Chairman of the NC is Mr Tan Soon Liang. 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.

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

- reviewing and recommending the appointment of new Directors and executive officers and re-nomination of the Directors having regard to their contribution, performance and ability to commit sufficient time, resources and attention to the affairs of the Group, and each Director's respective commitments outside the Group including his principal occupation and board representations on other companies, if any. The NC will conduct such reviews at least once a year, or more frequently as it deems fit;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a director of the Company;
- developing a process for evaluating the performance of the Board as a whole and the Board Committees, and for assessing the contribution of each Director to the effectiveness of the Board;
- reviewing the Directors' mix of skills, experience, core competencies and knowledge of the Group that the Board requires to function competently and efficiently;
- reviewing the training and professional development programs for the Board; and
- reviewing and approving any new employment of persons related to the Directors or substantial Shareholders and the proposed terms of their employment.

# CORPORATE GOVERNANCE REPORT

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.

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 process. 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.

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.

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

The NC has reviewed and recommended the re-election of Mr Lew Kit Foo @ Liew Foo, Mr Liew Ah Kuie, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr Artawat Udompholkul who will be retiring as Directors at the forthcoming AGM. Mr Lew Kit Foo @ Liew Foo and Mr Liew Ah Kuie will be retiring pursuant to Regulation 114 of the Constitution. Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr Artawat Udompholkul will be retiring pursuant to Regulation 118 of the Constitution. Mr Lew Kit Foo @ Liew Foo, Mr Liew Ah Kuie, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr Artawat Udompholkul have offered themselves for re-election. The Board has accepted the recommendation of the NC.

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 number of public listed company board representations and other principal commitments, each 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, having considered the multiple board seats held by the Directors, their principal time commitments, their attendance at the Board and Board Committee meetings, is satisfied that the Directors have been able to devote sufficient time and resources to the matters of the Group and as such, the Board deemed that it is not necessary to set a limit on the number of listed board representations that any Director may hold.

None of the Directors had appointed an alternate director in FY2016.

Key information regarding the Directors is set out on pages 15 to 16 in this Annual Report.

***Principle 5: There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.***

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 FY2016, the NC has not engaged any external facilitator for the evaluation process.

During each financial year, all Directors will complete a Board Evaluation Form and to ensure confidentiality, the forms will be submitted to the Company Secretary 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 FY2016, the NC has reviewed the performance and effectiveness of the Board as a whole and is of the view that performance and effectiveness of the Board had been satisfactory.

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:

- the principal occupation and commitments of the Directors, including the number of listed company board representations that each of them has;
- the attendance to-date at board meetings of listed companies that each of the Directors serves as director;
- the 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.

***Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

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 in good time to allow them sufficient time to prepare for the items to be discussed during the meetings.

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

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

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

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

***Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The RC comprises the Independent Directors, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr John Cordova. The Chairman of the RC is Mr Lee Yong Soon.

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 the executive officers, and determining specific remuneration packages for the Executive Directors. 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 the executive officers' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC is also responsible for the administration of the Wong Fong Performance Share Plan.

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

The RC may seek expert advice inside and/or outside the Company on remuneration of all Directors where necessary. During FY2016, the RC did not engage the service of an external remuneration consultant.

***Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

The RC will perform an annual review on the remuneration packages of the Executive Directors and key management staff. The Company's remuneration structure for the Executive Directors and key management staff 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 Company has entered into separate service agreements with the Executive Directors for an initial 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 Director resulting in financial loss to the Company.

Each Independent Director receives a director's fee which takes into account factors such as effort and time spent and scope of responsibilities. The fees for Independent Directors are subject to Shareholders' approval at the forthcoming AGM.

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. Please refer to the Company's IPO offer document dated 19 July 2016 for further details on the Wong Fong Performance Share Plan.

***Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

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 are linked to the financial performance of the Group and the individual's performance so as to promote the long-term sustainability of the Group.

The salary, annual variable performance bonus and variable year-end bonus shall be subject to annual review by the RC and to be approved by the Board. If the Executive Director is a member of the RC and/or the Board, he shall not participate in the deliberation or vote on any matter in which he is interested.

For FY2016, the RC is of the view that the performance conditions were met by each of the Executive Directors and the key management personnel.

**Remuneration of Directors**

The breakdown of the total remuneration of the Directors for FY2016 is set out below:

| | Directors' fees(1) | Salary(2) | Bonus | Other benefits | Total remuneration |
|---|---|---|---|---|---|
| ***Above S$500,000 and up to S$750,000*** | | | | | |
| Jimmy Lew | – | 66% | 6% | 28% | 100% |
| ***Above S$250,000 and up to S$500,000*** | | | | | |
| James Liew | – | 81% | 7% | 12% | 100% |
| ***S$250,000 and below*** | | | | | |
| Liew Chern Yean | – | 91% | 7% | 2% | 100% |
| Eric Lew | – | 89% | 7% | 4% | 100% |
| Pao Kiew Tee | 100% | – | – | – | 100% |
| Lee Yong Soon | 100% | – | – | – | 100% |
| Tan Soon Liang | 100% | – | – | – | 100% |
| John Cordova | 100% | – | – | – | 100% |

**Notes:**

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

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

No compensation was paid or is to be paid in the form of share awards to any of the Directors.

**Remuneration of key management personnel**

The breakdown of the total remuneration of the key management personnel of the Group (who are not Directors or the CEO) for FY2016 is set out below:

| | Salary[1] | Bonus | Other benefits | Total remuneration |
|---|---|---|---|---|
| ***S$250,000 and below*** | | | | |
| Jack Wong | 79% | 17% | 4% | 100% |
| Chia Kah Lam | 66% | 31% | 3% | 100% |
| Lew Siew Choo | 80% | 17% | 3% | 100% |
| Albert Lee | 81% | 17% | 2% | 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 any of the key management personnel of the Group.

The aggregate remuneration paid to the key management personnel of the Group in FY2016 was approximately S$610,000.

**Remuneration of employees who are immediate family members of a Director or the CEO**

The breakdown of the total remuneration of employees who are immediate family members of a Director or the CEO and whose remuneration exceed S$50,000 in FY2016 is set out below:

| | Remuneration for FY2016 |
|---|---|
| Jean Liew[1] | Between S$100,001 and S$150,000 |
| Liu Shanni[2] | Between S$100,001 and S$150,000 |
| Ng Chin Yee[3] | Between S$50,001 and S$100,000 |

**Notes:**

(1) Ms Jean Liew is the sister of Mr Jimmy Lew, Executive Chairman and Mr James Liew, Deputy Chairman and Managing Director.

(2) Mr Liu Shanni is the child of Mr James Liew, Deputy Chairman and Managing Director.

(3) Mr Ng Chin Yee is the father-in-law of Mr Eric Lew, Executive Director.

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

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 bands of S$250,000 would provide 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.

During FY2016, no awards have been granted to eligible participants under the Wong Fong Performance Share Plan.

***Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects.***

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

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

***Principle 11: The board is responsible for the governance of risk. The board should ensure that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.***

The Board is responsible for the governance of risks and oversees the management in the design, implementation and monitoring of risk management and internal control systems to safeguard Shareholders' interest and the Group's assets. The Board is cognizant, however, that risk management policies and internal control 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 control systems addressing financial, operational, compliance and information technology risks. The review of the adequacy and effectiveness of such risk management and internal controls 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, KPMG Services Pte. Ltd. (the "**Internal Auditors**"). The AC reviews the audit plans and the findings of the External Auditors and the Internal Auditors and ensures that issues and internal controls weaknesses highlighted and measures are implemented to address those issues and internal controls weaknesses.

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 Board, the AC and the management, the Board, with the concurrence of the AC, is of the view that for FY2016 the internal controls of the Group addressing financial, operational, compliance and information technology risks and risk management systems are adequate and effective.

The Board and the AC have also received assurances from the Deputy Chairman and Managing Director and the Group Finance Director 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 risk management and internal control systems are adequate and effective in addressing financial, operational, compliance and information technology risks.

***Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.***

The AC comprises the Independent Directors, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr John Cordova. The Chairman of the AC is Mr Pao Kiew Tee. The quorum shall be any 3 members, including 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, while Mr Lee Yong Soon was formerly the financial controller of Keppel FELS Limited prior to his retirement in 2014. In addition, Mr Pao Kiew Tee is a fellow of the Institute of Singapore Chartered Accountants while Mr Lee Yong Soon is a fellow of the Association of International Accountants of the United Kingdom.

The members of the AC are appropriately qualified and possess the relevant accounting or related financial management expertise or experience to discharge their duties. No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

The key terms of reference of the AC includes:

- reviewing with the Internal Auditors and the External Auditors, the audit plans, scope of work, their evaluation of the Group's system of internal controls, audit reports, their letter(s) to the management and the management's responses and the results of the audits compiled by the Internal Auditors and the External Auditors, and will review at regular intervals with the management the implementation by the Group of the internal controls recommendations made by the Internal Auditors and the External Auditors;
- reviewing 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 risk management systems and internal control procedures addressing financial, operational, compliance and information technology risks 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 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.

A breakdown of the fees paid to the External Auditors and others auditors of the Group for audit and non-audit services for FY2016 is as follows:

| | **S$'000** | **% of total fees** |
|---|---|---|
| Audit services | 141 | 83 |
| Non-audit services (mainly as tax consultants) | 29 | 17 |
| Total fees | 170 | 100 |

Please refer to page 114 of this Annual Report for breakdown of the audit and non-audit fees.

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

The Company has establish 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 were no reported incidents pertaining to whistle-blowing for FY2016.

The AC is kept abreast by the management, 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.

***Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The AC oversees the Group’s internal controls and risk management 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 KPMG Services Pte. Ltd.

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

The Internal Auditors report their findings to the AC and the Board. The management is responsible for ensuring that appropriate measures are implemented to address the internal control weaknesses highlighted by the Internal Auditors.

Based on the scope of work performed by the Internal Auditors for FY2016, there were no material weaknesses identified.

The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The Internal Auditors is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The internal audit is guided by the Internal Auditors’ methodology which is aligned to the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' right, and continually review and update such governance arrangements.***

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

***Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

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

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

General meetings are the principal forum for dialogue with Shareholders and Shareholders are encouraged to participate in such meetings. During these meetings, Shareholders are able to engage with the Board and the management on the Group's business activities, financial performance and other business-related matters. As and when necessary, the Executive Directors and the Group Finance Director 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 Company has appointed an investor relations firm, August Consulting Pte Ltd, to manage communications with its stakeholders and to ensure that their queries and concerns are promptly addressed by the relevant management personnel.

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 0.3 Singapore cents per ordinary share for FY2016 for approval by Shareholders at the forthcoming AGM.

***Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

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 meeting to stay informed of the Group's strategies and visions. The Constitution allows a member of the Company to appoint up to 2 proxies to attend and to vote in place of the member.

Separate resolutions are proposed for substantially separate issues at Shareholders' 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 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.

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 auditors' report.

The minutes of general meetings, which include all queries from Shareholders and responses from the Board and the management, are available to Shareholders upon written request.

**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 and all Directors and 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.

All Directors and officers of the Group are expected to observe insider trading laws at all times. In particular, they are aware that dealing in the Company's securities, when they are in possession of unpublished material price sensitive information in relation to those securities, is an offence. The Directors and officers of the Group are also discouraged from dealing in the Company's securities on short-term considerations.

**INTERESTED PERSON TRANSACTIONS**

The Group has adopted an internal policy in respect of any transaction with an interested party 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 of S$100,000 or more in FY2016.

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 FY2016 or, if not then subsisting, entered into since the end of FY2015.

## NON-SPONSOR FEES

Save for the fees paid to the Company's sponsor, United Overseas Bank Limited ("**UOB**"), in relation to the IPO, there were no non-sponsor fees paid to UOB in FY2016.

## USE OF PROCEEDS FROM THE IPO

The Company received net proceeds from the IPO of S$8.3 million (the "**Net Proceeds**"). As at the date of this Annual Report, the Net Proceeds have been utilised as follows:

| Purpose | Allocation of Net Proceeds (as disclosed in the offer document) S$'000 | Net Proceeds utilised as at the date of this Annual Report S$'000 | Balance of Net Proceeds as at the date of this Annual Report S$'000 |
|---|---|---|---|
| Expansion and diversification of our operations and product offerings through, *inter alia*, investments, mergers and acquisitions, joint ventures and/or strategic collaborations | 2,500 | – | 2,500 |
| Enhancement of service and production facilities | 2,000 | (2,000) | – |
| Developing new products and services | 1,000 | – | 1,000 |
| Working capital and general corporate purposes(1) | 2,800 | (2,800) | – |
| | 8,300 | (4,800) | 3,500 |

Note:
(1) Mainly comprise equipment purchase for fulfilment of project delivery.

The use of the Net Proceeds was in accordance with the purposes and the proportional allocation as stated in the offer document.

# 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, 2016.

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 54 to 120 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, 2016, 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:

| | |
|---|---|
| Lew Kit Foo @ Liew Foo | |
| Liew Ah Kuie | |
| Lew Chern Yong (Liu Zhengrong) | |
| Liew Chern Yean | |
| Pao Kiew Tee | (Appointed on June 28, 2016) |
| Lee Yong Soon | (Appointed on June 28, 2016) |
| Artawat Udompholkul | (Appointed on June 28, 2016) |
| Tan Soon Liang | (Appointed on June 28, 2016) |

**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:

| Name of directors and company in which interests are held | Shareholdings registered in the name of directors At beginning of year | At end of year | Shareholdings in which directors are deemed to have an interest At beginning of year | At end of year |
|---|---|---|---|---|
| Ultimate holding company<br>Wong Fong Investments Pte. Ltd.<br>(Ordinary shares) | | | | |
| Lew Kit Foo @ Liew Foo | – | – | 650,000 | 650,000 |
| Liew Ah Kuie | 450,000 | 450,000 | – | – |
| Lew Chern Yong (Liu Zhengrong) | – | – | 650,000 | 650,000 |
| Liew Chern Yean | – | – | 650,000 | 650,000 |

| Name of directors and company in which interests are held | Shareholdings registered in the name of directors At beginning of year | At end of year | Shareholdings in which directors are deemed to have an interest At beginning of year | At end of year |
|---|---|---|---|---|
| The Company<br>Wong Fong Industries Limited<br>(Ordinary shares) | | | | |
| Lew Kit Foo @ Liew Foo | – | – | 15,120,000 | 161,420,000 |
| Liew Ah Kuie | – | – | 15,120,000 | 161,280,000 |
| Lew Chern Yong (Liu Zhengrong) | – | – | 15,120,000 | 161,280,000 |
| Liew Chern Yean | – | – | 15,120,000 | 161,280,000 |

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

There have been no changes in the above directors' interests as at January 21, 2017.

**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 Lee Yong Soon (Chairman), Pao Kiew Tee, Tan Soon Liang and Artawat Udompholkul (John Cordova).

(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 Lee Yong Soon, Mr Tan Soon Liang and Mr Artawat Udompholkul. 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 internal audit plan and the Pre-Initial Public Offering ("IPO") internal controls review report by the internal auditors and evaluation of the Group's systems of internal accounting controls;

(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 auditors' report on those financial statements;

**5 AUDIT COMMITTEE (CONTINUED)**

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

(e) Interested person transactions falling within the scope of Chapter 9 of the Listing Manual, Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited and other relevant statutory requirements and any potential conflicts of interests; and

(f) 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

| | |
|---|---|
| **Lew Kit Foo@ Liew Foo** | **Lew Chern Yong (Liu Zhengrong)** |

Date: March 31, 2017

# INDEPENDENT AUDITOR'S REPORT

**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, 2016, 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 the notes to the financial statements, including a summary of significant accounting policies as set out on pages 54 to 120.

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 Financial Reporting Standards in Singapore ("FRSs") 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, 2016 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 ("ACRA") *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 carried at the lower of cost and net realisable value. Such inventories include cranes and other truck-mount equipment, which account for approximately 23% of the Group's current assets. 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, and the demand for the equipment.

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

**Key Audit Matters (Continued)**

Allowance for inventories (Continued)

*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.

Allowance for trade receivables

As at December 31, 2016, the Group has trade receivables of $9.14 million, representing 21% of the Group's current assets. Significant judgement is required by management in assessing the recoverability of trade receivables including those that are past due but not provided for and the level of allowance for doubtful debts that may be required. 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 allowance for doubtful debts.

We evaluated and challenged management's assessment of the recoverability of the Group's significant past due trade receivables as at the reporting date, including the assessment of any allowance to be made in respect of these past due debts.

We discussed with management on the reasons for the delay in payments for significant aged debts and assessed the appropriateness of any allowance for doubtful debts to be made, by considering amongst other factors such as, subsequent cash receipts, payment history, settlement arrangement or the ongoing business relationship with the debtors involved.

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

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

Management is responsible for the other information. The other information comprises the Corporate Profile, Business Highlights, Key Milestones, Message from Chairman and Managing Director, Financial Highlights, Corporate Structure, Operations and Financial Review, Corporate Responsibility Report, Information on Board of Directors and Executive Officers, Corporate Information, Risk Factors and Risk Management Report, Corporate Governance Report, Directors' Statement and Statistics of Shareholdings 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 FRSs, 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 view 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.

# INDEPENDENT AUDITOR'S REPORT

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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

- 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.

- 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.

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

- 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.

- 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.

- 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.

# INDEPENDENT AUDITOR'S REPORT

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

**Deloitte & Touche LLP**
Public Accountants and
Chartered Accountants
Singapore

March 31, 2017

# STATEMENTS OF FINANCIAL POSITION

| | Note | Group 2016 $ | Group 2015 $ | Company 2016 $ | Company 2015 $ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | 20,769,639 | 16,551,997 | 13,775,057 | 6,067,803 |
| Trade and other receivables | 7 | 10,141,853 | 12,730,074 | 131,265 | 156,041 |
| Derivative financial instruments | 8 | 3,224 | 14,918 | – | – |
| Inventories | 9 | 13,347,017 | 13,129,348 | – | – |
| Total current assets | | 44,261,733 | 42,426,337 | 13,906,322 | 6,223,844 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 22,217,040 | 20,159,684 | – | – |
| Intangible asset | 11 | 5,415 | – | – | – |
| Investment in subsidiaries | 12 | – | – | 2,475,581 | 2,500,000 |
| Investment in associate | 13 | – | – | – | – |
| Available-for-sale investments | 14 | – | – | – | – |
| Total non-current assets | | 22,222,455 | 20,159,684 | 2,475,581 | 2,500,000 |
| **Total assets** | | 66,484,188 | 62,586,021 | 16,381,903 | 8,723,844 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | 14,154,574 | 19,639,080 | 273,569 | 140,309 |
| Finance leases | 16 | 328,401 | 189,870 | – | – |
| Bank borrowings | 17 | 1,093,243 | 4,646,801 | – | – |
| Derivative financial instruments | 8 | 989 | 2,732 | – | – |
| Income tax payable | | 518,774 | 369,728 | – | – |
| Total current liabilities | | 16,095,981 | 24,848,211 | 273,569 | 140,309 |
| **Non-current liabilities** | | | | | |
| Other payables | 15 | 30,932 | – | – | – |
| Deferred tax liabilities | 18 | 429,000 | 426,999 | – | – |
| Finance leases | 16 | 435,356 | 272,105 | – | – |
| Bank borrowings | 17 | 6,168,040 | 1,597,032 | – | – |
| Total non-current liabilities | | 7,063,328 | 2,296,136 | – | – |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 19 | 11,350,674 | 4,800,000 | 11,350,674 | 4,800,000 |
| Accumulated profits | | 32,387,792 | 31,023,065 | 4,757,660 | 3,783,535 |
| Reserves | 20 | 352,448 | 316,197 | – | – |
| Equity attributable to owners of the Company | | 44,090,914 | 36,139,262 | 16,108,334 | 8,583,535 |
| Non-controlling interests | | (766,035) | (697,588) | – | – |
| Total equity | | 43,324,879 | 35,441,674 | 16,108,334 | 8,583,535 |
| **Total equity and liabilities** | | 66,484,188 | 62,586,021 | 16,381,903 | 8,723,844 |

*See accompanying notes to financial statements.*

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Group 2016 $ | Group 2015 $ |
|---|---|---|---|
| Revenue | 21 | 70,202,972 | 77,623,371 |
| Other operating income | 22 | 958,750 | 1,007,321 |
| Changes in inventories of finished goods and work-in-progress | | 273,412 | (4,404,486) |
| Materials and consumables used | | (47,723,497) | (48,723,965) |
| Employee benefits expense | | (12,932,544) | (13,565,485) |
| Depreciation expense | 10 | (1,630,748) | (1,275,928) |
| Other operating expenses | 23 | (4,668,887) | (4,762,913) |
| Share of loss from associate | 13 | (200,000) | – |
| Finance costs | 24 | (314,449) | (189,839) |
| **Profit before tax** | | 3,965,009 | 5,708,076 |
| Income tax expense | 25 | (496,540) | (374,595) |
| **Profit for the year** | 26 | 3,468,469 | 5,333,481 |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| – Exchange differences on translation of foreign operations | | 55,388 | 369,293 |
| – Transfer to profit or loss on disposal of available-for-sale investments | | – | (11,287) |
| **Other comprehensive income for the year, net of tax** | | 55,388 | 358,006 |
| **Total comprehensive income for the year** | | 3,523,857 | 5,691,487 |
| **Profit (Loss) attributable to** | | | |
| Owners of the Company | | 3,581,053 | 5,621,088 |
| Non-controlling interests | | (112,584) | (287,607) |
| | | 3,468,469 | 5,333,481 |
| **Total comprehensive income (loss) attributable to** | | | |
| Owners of the Company | | 3,617,304 | 5,854,096 |
| Non-controlling interests | | (93,447) | (162,609) |
| | | 3,523,857 | 5,691,487 |
| Basic and diluted earnings per share (cents) | 31 | 3.0 | 5.3 |

*See accompanying notes to financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

Group

| | Note | Share capital<br>$ | Accumulated profits<br>$ | Reserves<br>$ | Equity attributable to owners of the Company<br>$ | Non-controlling interests<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2015** | | 2,850,000 | 30,401,977 | 71,073 | 33,323,050 | 937 | 33,323,987 |
| Transactions with owners, recognised directly in equity: | | | | | | | |
| Adjustment arising from restructuring exercise | 19 | (2,850,000) | – | – | (2,850,000) | – | (2,850,000) |
| Issue of share capital | 19 | 4,800,000 | – | – | 4,800,000 | – | 4,800,000 |
| Dividends paid | 27 | – | (5,000,000) | – | (5,000,000) | (150,000) | (5,150,000) |
| Acquisition of additional interest in a subsidiary from non-controlling interest shareholder | | – | – | 12,116 | 12,116 | (385,916) | (373,800) |
| Total | | 1,950,000 | (5,000,000) | 12,116 | (3,037,884) | (535,916) | (3,573,800) |
| Total comprehensive income for the year: | | | | | | | |
| Profit for the year | | – | 5,621,088 | – | 5,621,088 | (287,607) | 5,333,481 |
| Other comprehensive income for the year | | – | – | 233,008 | 233,008 | 124,998 | 358,006 |
| Total | | – | 5,621,088 | 233,008 | 5,854,096 | (162,609) | 5,691,487 |
| **Balance as at December 31, 2015** | | 4,800,000 | 31,023,065 | 316,197 | 36,139,262 | (697,588) | 35,441,674 |

*See accompanying notes to financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

Group (Cont'd)

| | Note | Share capital $ | Accumulated profits $ | Reserves $ | Equity attributable to owners of the Company $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2016** | | 4,800,000 | 31,023,065 | 316,197 | 36,139,262 | (697,588) | 35,441,674 |
| Transactions with owners, recognised directly in equity: | | | | | | | |
| Issue of Placement Shares pursuant to the Placement | 19 | 9,350,674 | – | – | 9,350,674 | – | 9,350,674 |
| Share buy-back from a financial investor | 19 | (2,800,000) | (16,326) | – | (2,816,326) | – | (2,816,326) |
| Adjustment from share transfer in a subsidiary to non-controlling interest shareholder | | – | – | – | – | 25,000 | 25,000 |
| Dividends paid | 27 | – | (2,200,000) | – | (2,200,000) | – | (2,200,000) |
| Total | | 11,350,674 | 28,806,739 | 316,197 | 40,473,610 | (672,588) | 39,801,022 |
| Total comprehensive income for the year: | | | | | | | |
| Profit for the year | | – | 3,581,053 | – | 3,581,053 | (112,584) | 3,468,469 |
| Other comprehensive income for the year | | – | – | 36,251 | 36,251 | 19,137 | 55,388 |
| Total | | – | 3,581,053 | 36,251 | 3,617,304 | (93,447) | 3,523,857 |
| **Balance as at December 31, 2016** | | 11,350,674 | 32,387,792 | 352,448 | 44,090,914 | (766,035) | 43,324,879 |

*See accompanying notes to financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

Company

| | Note | Share capital<br>$ | Accumulated profits<br>$ | Total<br>$ |
|---|---|---|---|---|
| **At January 2, 2015 (date of incorporation)** | 19 | 1 | – | 1 |
| Issue of share capital, representing total transaction with owners, recognised directly in equity | 19 | 4,799,999 | – | 4,799,999 |
| Profit for the year, representing total comprehensive income for the year | | – | 3,783,535 | 3,783,535 |
| **Balance as at December 31, 2015** | 19 | 4,800,000 | 3,783,535 | 8,583,535 |
| Transaction with owners, recognised directly in equity: | | | | |
| Issue of Placement Shares pursuant to the Placement | 19 | 9,350,674 | – | 9,350,674 |
| Share buy-back from a financial investor | 19 | (2,800,000) | (16,326) | (2,816,326) |
| Dividends paid | 27 | – | (2,200,000) | (2,200,000) |
| Profit for the year, representing total comprehensive income for the year | | – | 3,190,451 | 3,190,451 |
| **Balance as at December 31, 2016** | | 11,350,674 | 4,757,660 | 16,108,334 |

*See accompanying notes to financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| **Operating activities** | | |
| Profit before taxation | 3,965,009 | 5,708,076 |
| Adjustments for: | | |
| Interest income | (743) | (2,976) |
| Depreciation expense | 1,630,748 | 1,275,928 |
| Property, plant and equipment written off | 13,033 | 24,429 |
| Bad debts written off | 1,729 | 25,053 |
| Allowance for doubtful debts – trade | 129,393 | 21,089 |
| Gain on disposal of property, plant and equipment (Note B) | (274,379) | (33,818) |
| Dividend income | – | (10,300) |
| Interest expense | 250,630 | 156,899 |
| Fair value changes on derivative financial instruments | 9,951 | (42,570) |
| Allowance for inventories and inventories written off | 135,278 | 25,121 |
| Amortisation of intangible asset | 1,083 | – |
| Share of loss from associate | 200,000 | – |
| Gain on disposal of available-for-sale investments | – | (524) |
| Operating cash flows before movements in working capital | 6,061,732 | 7,146,407 |
| Inventories | (347,676) | 4,267,955 |
| Trade and other receivables | 2,458,704 | (1,465,209) |
| Trade and other payables (Note A) | (3,858,972) | 1,835,541 |
| Cash generated from operations | 4,313,788 | 11,784,964 |
| Income tax paid | (345,493) | (854,542) |
| Net cash from operating activities | 3,968,295 | 10,930,152 |
| **Investing activities** | | |
| Interest received | 743 | 2,976 |
| Dividend received | – | 10,300 |
| Proceeds from disposal of property, plant and equipment | 1,500 | 33,818 |
| Purchase of intangible assets | (6,498) | – |
| Purchase of property, plant and equipment (Note A) | (2,619,854) | (2,812,151) |
| Investment in associate | (200,000) | – |
| Acquisition of subsidiaries pursuant to the group restructuring exercise (Note 1) | – | (3,223,800) |
| Proceeds from disposal of available-for-sale investment | – | 773,203 |
| **Net cash used in investing activities** | (2,824,109) | (5,215,654) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| **Financing activities** | | |
| Dividends paid | (2,200,000) | (5,150,000) |
| Increase in pledged fixed deposits | (103) | (102) |
| Interest paid | (250,630) | (156,899) |
| Repayment of bank borrowings | (759,525) | (303,533) |
| Repayment of obligations under finance leases | (236,658) | (209,589) |
| Proceeds from issue of shares | 9,350,674 | 4,800,000 |
| Share buy-back | (2,816,326) | – |
| Net cash from (used in) financing activities | 3,087,432 | (1,020,123) |
| Net increase in cash and cash equivalents | 4,231,618 | 4,694,375 |
| Cash and cash equivalents at beginning of the year | 16,351,619 | 11,687,514 |
| Effect of foreign exchange rate changes | (14,079) | (30,270) |
| **Cash and cash equivalents at end of the year (Note 6)** | 20,569,158 | 16,351,619 |

Note A

Included in trade and other payables is an amount of $502,520 (2015: $2,172,780) relating to the acquisition of property, plant and equipment (“PPE”). This includes retention sum payable of $249,999 (2015: $499,994).

During the year, the Group acquired property, plant and equipment with an aggregate cost of $3,751,362 (2015: $7,642,668), of which $540,666 (2015: $288,151) were acquired under finance leases, $411,352 (2015: $3,054,790) were acquired under bank borrowings, $283,865 (2015: Nil) were acquired under trade-in, $2,262,958 (2015: $2,305,812) were paid in cash and $252,521 (2015: $1,993,915) remains unpaid at the end of the reporting period and is recorded as other payables.

During the year, the Group had also drawn down bank borrowings of $1,387,022 (2015: $1,287,825) and made cash payment of $356,896 (2015: $506,339) relating to PPE acquired in prior year which were unpaid then.

Note B

The disposal on property, plant and equipment during the year includes a trade-in value of $283,865.

*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 on January 2, 2015, which is also the ultimate holding company.

The principal activities of the subsidiaries and an associate are disclosed respectively in Notes 12 and 13 to the financial statements.

In 2015, pursuant to the group restructuring (the "Restructuring Exercise") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation of the proposed listing of the Company on the Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company underwent a Restructuring Exercise involving the following:

(i) Incorporation of the Company

The Company was incorporated on January 2, 2015 in Singapore in accordance with the Companies Act as a private limited company with an issued and paid-up share capital of $1 comprising 1 ordinary share.

On February 24, 2015, the Company issued an aggregate of 1,999,999 ordinary shares to its shareholders for a consideration of $1,999,999.

On February 26, 2015, the share capital of the Company is enlarged to 18,000,000 ordinary shares upon the completion of the sub-division of every 1 ordinary share into 9 ordinary shares.

On March 20, 2015, the Company issued 1,600,000 ordinary shares to one of its shareholders for a consideration of $2,800,000.

(ii) Acquisition of Wong Fong Engineering Works (1988) Pte. Ltd. ("WFE")

On March 6, 2015, the Company acquired all the existing ordinary shares of WFE from the existing shareholders of WFE for an aggregate cash consideration of $2,000,000 based on the paid-up capital of WFE at that time.

**1 GENERAL (CONTINUED)**

(iii) Acquisition of Wong Fong Academy Pte. Ltd. ("WFA")

On March 6, 2015, the Company acquired 200,000 ordinary shares in WFA, comprising the entire issued and paid-up share capital of WFA at that time, from the former shareholder for an aggregate cash consideration of $200,000 based on the paid-up capital of WFA at that time.

(iv) Acquisition of CE Asia Holdings Pte. Ltd. ("CEAH")

On March 6, 2015, the Company acquired 650,000 ordinary shares in CEAH representing 65.0% of the issued and paid-up share capital of CEAH from the former shareholder, comprising all the ordinary shares held by the former shareholder in CEAH, for an aggregate cash consideration of $650,000 based on the paid-up capital of CEAH at that time.

(v) Acquisition of ordinary shares in Wong Fong Pte. Ltd. ("WFPL") from non-controlling interest shareholder

On October 21, 2015, pursuant to a share sale and purchase agreement, WFE acquired 30 ordinary shares in WFPL from the non-controlling interest shareholder, representing 30.0% of the issued and paid-up ordinary share capital of WFPL, for an aggregate cash consideration of $373,800 based on a willing buyer-willing seller basis.

Upon completion of the aforesaid acquisition, WFPL became a wholly-owned subsidiary of WFE. The effect of changes in ownership interests in WFPL was recognised in reserve.

The Group, resulting from the above Restructuring Exercise, was regarded as a continuing entity as the Group was ultimately controlled by the common shareholders acting in concert both before and after the Restructuring Exercise. Accordingly, although the Company was only incorporated on January 2, 2015, the first set of financial statements of the Group was prepared using the principles of merger accounting on the basis that the Restructuring Exercise transfers of equity interest in the combining entities under the common control to the Company has been effected as at the beginning of 2015.

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, 2016 were authorised for issue by the Board of Directors on March 31, 2017.

**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 Financial Reporting Standards in Singapore ("FRS").

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRS does not result in changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*(1)
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*(1)
- FRS 116 *Leases*(2)
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*(3)

(1) Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

(2) Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.

(3) Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the initial adoption of the new FRS 109 may result in changes to the accounting policies relating to the impairment provisions of financial assets. Additional disclosures may be made with respect of trade and other receivables, including any significant judgement and estimation made. Management has commenced an assessment of the possible impact of implementing FRS 109. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of the new FRS 115 may result in changes to the accounting policies relating to revenue recognition for certain revenue streams. Additional disclosures will be made with respect of revenue and deferred revenue, including information about contracts with customers, contract balances and performance obligation. Management has commenced an assessment of the possible impact of implementing FRS 115. It is currently impracticable to disclose any further information on the known or reasonably estimate impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. The management does not plan to early adopt the new FRS 115.

FRS 116 *Leases*

FRS 116 was issued in June 2016 and it will supersede FRS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of FRS 116 will result in certain lease commitments of the Group to be recorded in the consolidated statement of financial position with a right-of-use asset and a related lease liability. The management is currently assessing its potential impact and it is not practicable to provide a reasonable estimate of the financial effect until the management complete its detailed review.

*IFRS convergence in 2018*

Singapore-incorporated companies listed on the SGX-ST will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs on the equivalent FRSs.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. The preliminary assessment above may be subject to change arising from the detailed analysis.

BASIS OF COMBINATION – The financial statements incorporate the financial statements of the Company and its subsidiary corporations and had been prepared using the principles of merger accounting and on the assumption that the re-organisation of entities controlled by the same shareholders collectively has been effected as at the beginning of 2015.

Under merger accounting, the assets, liabilities, revenue, expenses and cash flows and all the entities within the Group are combined after making such adjustments as are necessary to achieve consistency of accounting policies. This manner of presentation reflects the economic enterprise, although the legal parent-subsidiary relationship between the Company and the subsidiary corporations was not established until January 2, 2015.

All significant intercompany transactions and balances between Group enterprises are eliminated on combination.

Where necessary, adjustments are made to the financial statements of the group entities to bring their accounting policies in line with those used by other members of the Group.

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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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

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

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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 FRSs). 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 FRS 39, when applicable, the cost on initial recognition of an investment in an associate.

In the Company's 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.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement,* or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquire 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

## 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 an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates.

The Group uses derivative financial instruments (mainly foreign currency forward contracts) to manage its risks associated with fluctuations of foreign currency. Further information on the derivative financial instruments are disclosed in Note 8 to the financial statements.

The Group does not use derivative financial instruments for speculative purposes.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting arrangements

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

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Leasehold land and buildings | – | Over the term of lease of 25 years to 33 years |
| Freehold building | – | 50 years |
| Motor vehicles | – | 5 years |
| Office equipment, furniture and fittings | – | 3 to 10 years |
| Computers | – | 1 to 5 years |
| Plant and machinery | – | 10 years |

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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.

# NOTES TO FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 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 when the investment is classified as held for sale. When the Group retains an interest in the former associate 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 FRS 39. The difference between the carrying amount of the associate 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 is included in the determination of the gain or loss on disposal of the associate. 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, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

When the Group reduces its ownership interest in an associate 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 reclasssfied to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Sale of goods and project revenue

Project revenue relates to the customisation, engineering and installation of products and solutions on a project basis.

Revenue from the sale of goods and project revenue is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from repairs and servicing and training is recognised when the relevant services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

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

Rental income

The Group's policy for recognition of revenue from operating leases is described above under the accounting policy for leases.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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 of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

***Critical judgements in applying the Group's accounting policies***

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***Key sources of estimation uncertainty***

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

(a) Allowance for inventories

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

Management reviews the inventory aging listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value and takes into consideration where appropriate the age and type of such inventory items, past sales history, customers' demand, 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.

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

(b) Allowance for trade receivables

The Group makes allowances for doubtful trade receivables based on ongoing assessments by management on the recoverability of these receivables by determining whether there is any objective evidence that a receivable is impaired. This includes evaluation of the current credit worthiness, aging analysis of outstanding debts, the past collection history of the debtor involved, any settlement arrangements and the ongoing dealings with these parties by management. Allowances are estimated and applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and any changes to impairment loss is recorded in the period in which such estimate has changed.

The carrying amounts of the Group's trade and other receivables and allowance for doubtful debts recorded are disclosed in Note 7.

(c) Impairment assessment of investment in subsidiaries

The recoverable amount of the Company's investment in subsidiaries are reviewed at the end of each reporting period to determine whether there is any indication that the investment has suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is determined on the basis of the higher of the value in use and fair values less costs to sell to determine the extent of the impairment loss. This determination requires significant judgement and management takes into consideration among other factors, the market and economic environment in which the subsidiary operate and the financial performance of the subsidiary. Management has evaluated the recoverability of these investments based on such assessment and provided impairment loss for certain subsidiaries which were assessed to be impaired. The carrying amount of the Company's investment in subsidiaries is disclosed in Note 12 to the financial statements.

**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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Derivative financial instruments | 3,224 | 14,918 | – | – |
| Loans and receivables | | | | |
| (including cash and equivalents) | 30,703,406 | 28,735,321 | 13,896,088 | 6,133,413 |
| | 30,706,630 | 28,750,239 | 13,896,088 | 6,133,413 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | 989 | 2,732 | – | – |
| Amortised cost | 18,738,871 | 20,353,618 | 273,569 | 140,309 |
| | 18,739,860 | 20,356,350 | 273,569 | 140,309 |

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

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

***(c) Financial risk management policies and objectives***

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

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

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

(i) Foreign exchange risk management

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

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

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

| | Group | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Australian dollar | 8,503 | 105,523 | – | 3,246 |
| Chinese yuan | – | – | 273,569 | 510,635 |
| Euro | 1,660,992 | 2,341,349 | 638,675 | 3,253,221 |
| Singapore dollar | 57,843 | 15,405 | 5,035,813 | 4,577,349 |
| United States dollar | 207,127 | 136,380 | 150,193 | 99,095 |

*Foreign currency sensitivity*

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

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Australian dollar | (425) | (5,114) |
| Chinese yuan | 13,678 | 25,532 |
| Euro | (51,116) | 45,594 |
| Singapore dollar | 248,899 | 228,097 |
| United States dollar | (2,847) | (1,864) |

If the relevant foreign currency strengthen by 5%, there would be an equal and opposite impact on the Group's profit or loss.

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

## 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 17) 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 end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when assessing interest rate risk and represents the management's assessment of the possible change in interest rates.

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

| | **Group** | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Decrease/Increase by | 36,306 | 31,219 |

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

(iii) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. 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. For sales of crane and trucks, sales proceeds are fully settled concurrently with delivery of crane and trucks.

The Group is exposed to a concentration of credit risk as 27.0% (2015: 33.5%) of its total receivables are due from a single counterparty.

The Group places its cash and bank balances with reputable financial institutions.

The carrying amount of financial assets recorded in the financial statements, represents the Group's and Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

(iv) Liquidity risk management

The Group maintains cash and cash equivalents and internally generated cash flows to finance their activities. The Group minimises liquidity risk by keeping committed credit lines available (Note 17).

As at December 31, 2016, the Company has provided corporate guarantees to a bank in respect of the banking facilities granted to its subsidiaries, amounting to $25,700,000 (2015: $Nil), of which $10,900,000 (2015: $Nil) was utilised at the end of the reporting period.

The maximum amount that the Group 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 Group considers that it is more likely than not that no amount will be payable under the arrangement.

*Liquidity and interest risk analyses*

Non-derivative financial liabilities

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

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

| Group | Weighted effective average interest rate % | On demand or within 1 year $ | Within 2 to 5 years $ | After 5 years $ | Adjustments $ | Total $ |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Non-interest bearing | – | 10,713,831 | – | – | – | 10,713,831 |
| Derivative financial instruments | – | 989 | – | – | – | 989 |
| Variable interest rate instruments | 2.87 | 1,288,392 | 4,037,402 | 3,067,242 | (1,131,753) | 7,261,283 |
| Fixed interest rate instruments | 4.16 | 358,288 | 463,349 | – | (57,880) | 763,757 |
| Total | | 12,361,500 | 4,500,751 | 3,067,242 | (1,189,633) | 18,739,860 |
| **2015** | | | | | | |
| Non-interest bearing | – | 13,647,810 | – | – | – | 13,647,810 |
| Derivative financial instruments | – | 2,732 | – | – | – | 2,732 |
| Variable interest rate instruments | 3.01 | 4,729,331 | 860,477 | 1,348,015 | (693,990) | 6,243,833 |
| Fixed interest rate instruments | 4.82 | 206,106 | 286,871 | – | (31,002) | 461,975 |
| Total | | 18,585,979 | 1,147,348 | 1,348,015 | (724,992) | 20,356,350 |
| **Company** | | | | | | |
| **2016** | | | | | | |
| Non-interest bearing | – | 273,569 | – | – | – | 273,569 |
| **2015** | | | | | | |
| Non-interest bearing | – | 140,309 | – | – | – | 140,309 |

Non-derivative financial assets

The Group's non-derivative financial assets as at the end of the financial year ended December 31, 2016 and 2015 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.

All financial assets of the Company in 2016 are non-interest bearing and repayable on demand or due within 1 year from the end of the reporting period.

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

Derivative financial instruments

The Group's derivative financial instruments as at the end of the financial year ended December 31, 2016 and 2015, comprising of forward foreign currency contracts with net contracted cash inflow (outflow) and their maturity dates are as disclosed in Note 8.

(v) Fair value of financial assets and financial liabilities

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

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

| Financial assets/ financial liabilities | Group | | | | | |
|---|---|---|---|---|---|---|
| | Fair value as at | | | | Fair value hierarchy | Valuation technique(s) and key input(s) |
| | 2016 | | 2015 | | | |
| | Assets | Liabilities | Assets | Liabilities | | |
| **Derivative financial instruments (Note 8)** | | | | | | |
| Forward foreign exchange contract | 3,224 | (989) | 14,918 | (2,732) | 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. |

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

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

### *(d) Capital management policies and objectives*

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

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

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

## 5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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

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

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

| | **2016** | **2015** |
|---|---|---|
| | **$** | **$** |
| Transaction with ultimate holding company | | |
| Dividend paid | 1,656,735 | – |
| Transaction with an individual who is a family member of a director of the Company | | |
| Disposal of motor vehicle | – | 30,918 |
| Transactions with company which certain shareholders have interest in | | |
| Sales | 193 | 26,216 |
| Transactions with associate | | |
| Recovery of expenses incurred on behalf | 106,805 | – |
| Transactions with non-controlling interest shareholder of the subsidiaries of the Company | | |
| Purchases | – | 81,918 |

## 5 RELATED PARTY TRANSACTIONS (CONTINUED)

***Compensation of directors and key management personnel***

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Short-term benefits | 1,889,621 | 1,704,733 |
| Post-employment benefits | 100,408 | 116,476 |
| Other long-term benefits | 75,401 | 38,542 |
| | 2,065,430 | 1,859,751 |

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 | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Fixed deposits | 200,481 | 200,378 | – | – |
| Cash in hand | 5,926 | 8,764 | – | – |
| Bank balances | 20,563,232 | 16,342,855 | 13,775,057 | 6,067,803 |
| | 20,769,639 | 16,551,997 | 13,775,057 | 6,067,803 |
| Less: Pledged fixed deposits | (200,481) | (200,378) | – | – |
| Cash and cash equivalents per statement of cash flows | 20,569,158 | 16,351,619 | 13,775,057 | 6,067,803 |

Fixed deposits are pledged as collaterals for certain bank facilities. The fixed deposits have maturity of one month (2015 : one month) and bear interest at 0.05% (2015: 0.05%) per annum.

## 7 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Trade receivables: | | | | |
| – outside parties | 9,077,094 | 11,075,909 | – | – |
| – subsidiary companies | – | – | 84,446 | 47,260 |
| Less: Allowance for doubtful debts | (150,627) | (21,248) | – | – |
| | 8,926,467 | 11,054,661 | 84,446 | 47,260 |
| Accrued revenue | 215,000 | 218,594 | – | – |
| | 9,141,467 | 11,273,255 | 84,446 | 47,260 |
| Other receivables: | | | | |
| – outside parties | 185,256 | 363,072 | – | – |
| – associate | 114,250 | – | – | – |
| – deposits | 448,909 | 503,662 | – | 10,000 |
| – prepayments | 208,086 | 546,750 | 10,234 | 90,431 |
| – staff loans | 7,300 | 22,300 | – | – |
| – others | 36,585 | 21,035 | 36,585 | 8,350 |
| | 1,000,386 | 1,456,819 | 46,819 | 108,781 |
| Total | 10,141,853 | 12,730,074 | 131,265 | 156,041 |

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2015 : 30 to 60 days) credit terms. Allowances for doubtful debts are recognised against trade receivables when there are objective evidence that the trade receivables are impaired.

Movements in allowance for doubtful trade debts:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Balance at beginning of the year | 21,248 | 15,698 | – | – |
| Charge to profit or loss for the year | 129,393 | 21,089 | – | – |
| Exchange alignment | (14) | (53) | – | – |
| Written off against allowance | – | (15,486) | – | – |
| Balance at end of the year | 150,627 | 21,248 | – | – |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's and Company's trade receivable balances are debtors with a carrying amount of $5,869,243 (2015: $8,243,363) and $3,333 (2015: $Nil) respectively which are past due at the end of the reporting period for which the Group and Company have not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold collateral over these balances. Management believes that there are no further credit allowances required in excess of the allowance for doubtful debts.

The table below is an analysis of trade receivables as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Not past due and not impaired(i) | 3,057,224 | 2,811,298 | 81,113 | 47,260 |
| Past due and not impaired(ii) | 5,869,243 | 8,243,363 | 3,333 | – |
| | 8,926,467 | 11,054,661 | 84,446 | 47,260 |
| Impaired receivables – collectively assessed(iii) | 150,627 | 21,248 | – | – |
| Less: Allowance for impairment | (150,627) | (21,248) | – | – |
| | – | – | – | – |
| Total trade receivables, net | 8,926,467 | 11,054,661 | 84,446 | 47,260 |

(i) Management has assessed that there is no significant change in credit quality and the amounts are still considered recoverable.

(ii) Aging of receivables that are past due but not impaired:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| < 3 months | 4,859,151 | 6,475,635 | 795 | – |
| 3 months to 6 months | 803,237 | 1,128,086 | 1,009 | – |
| 6 months to 12 months | 194,454 | 519,787 | 1,111 | – |
| > 12 months | 12,401 | 119,855 | 418 | – |
| | 5,869,243 | 8,243,363 | 3,333 | – |

(iii) These amounts are stated before any deduction for allowance for impairment.

In respect of other receivables, the amounts are unsecured, non-interest bearing and repayable on demand. Management has assessed that there has not been a significant change in credit quality of these other receivables and these amounts are considered recoverable.

## 8 DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Assets | Liabilities | Assets | Liabilities |
| | $ | $ | $ | $ |
| Current | | | | |
| Not designated in hedge accounting relationships | 3,224 | (989) | 14,918 | (2,732) |

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Forward foreign exchange contracts | 913,480 | 2,310,330 |

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

| | Average exchange rate | | Foreign currency | | Contract value | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| Group | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | $'000 | $'000 | $'000 | $'000 | $ | $ |
| Buy EUR: less than 3 months | 1.522 | 1.540 | 600 | 1,500 | 913 | 2,310 | 2,235 | 12,186 |

## 9 INVENTORIES

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Materials | 8,796,547 | 7,509,588 |
| Work-in-progress | 3,377,595 | 3,143,681 |
| Goods-in-transit | 1,277,084 | 2,501,200 |
| | 13,451,226 | 13,154,469 |
| Less: Allowance for inventories | (104,209) | (25,121) |
| | 13,347,017 | 13,129,348 |

Movement in allowance for inventories:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Balance at beginning of the year | 25,121 | – |
| Charge to profit or loss for the year | 79,536 | 25,121 |
| Exchange realignment | (448) | – |
| Balance at end of the year | 104,209 | 25,121 |

## 10 PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land and buildings | Freehold land and buildings[1] | Construction-in-progress | Motor vehicles | Office equipment, furniture and fittings | Computers | Plant and machinery | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Cost: | | | | | | | | |
| At January 1, 2015 | 10,437,928 | 2,168,223 | 2,585,723 | 1,579,834 | 775,149 | 939,862 | 2,552,094 | 21,038,813 |
| Additions | 441,262 | 30,888 | 5,967,630 | 140,480 | 166,283 | 215,659 | 680,466 | 7,642,668 |
| Reclassification | 2,468,315 | – | (2,585,723) | – | – | 117,408 | – | – |
| Exchange realignment | – | (280,715) | – | (4,636) | (20,885) | (3,420) | (44,616) | (354,272) |
| Disposals | – | – | – | (54,488) | – | (6,000) | (24,500) | (84,988) |
| Written off | – | – | – | – | (6,323) | (141) | (106,401) | (112,865) |
| At December 31, 2015 | 13,347,505 | 1,918,396 | 5,967,630 | 1,661,190 | 914,224 | 1,263,368 | 3,057,043 | 28,129,356 |
| Additions | – | – | 1,852,849 | 951,627 | 87,971 | 222,846 | 636,069 | 3,751,362 |
| Reclassification | 7,402,296 | – | (7,733,529) | – | 331,233 | – | – | – |
| Exchange realignment | – | (34,269) | – | (557) | (4,673) | (446) | (5,343) | (45,288) |
| Disposals | – | – | – | (797,600) | – | – | (16,750) | (814,350) |
| Written off | – | – | – | – | (23,614) | (31,833) | (350) | (55,797) |
| At December 31, 2016 | 20,749,801 | 1,884,127 | 86,950 | 1,814,660 | 1,305,141 | 1,453,935 | 3,670,669 | 30,965,283 |

(1) Includes a foreign subsidiary's freehold land of $742,731 (2015: $756,240).

## 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Leasehold land and buildings $ | Freehold land and buildings $ | Construction-in-progress $ | Motor vehicles $ | Office equipment, furniture and fittings $ | Computers $ | Plant and machinery $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| Accumulated depreciation: | | | | | | | | |
| At January 1, 2015 | 4,040,252 | 4,332 | – | 924,550 | 275,308 | 426,248 | 1,214,414 | 6,885,104 |
| Depreciation for the year | 416,191 | 24,893 | – | 293,886 | 123,876 | 192,356 | 224,726 | 1,275,928 |
| Exchange realignment | – | (2,313) | – | (3,254) | (3,567) | (2,044) | (6,758) | (17,936) |
| Eliminated on disposal | – | – | – | (54,488) | – | (6,000) | (24,500) | (84,988) |
| Written off | – | – | – | – | (1,696) | (141) | (86,599) | (88,436) |
| At December 31, 2015 | 4,456,443 | 26,912 | – | 1,160,694 | 393,921 | 610,419 | 1,321,283 | 7,969,672 |
| Depreciation for the year | 612,887 | 23,617 | – | 280,033 | 183,990 | 249,636 | 280,585 | 1,630,748 |
| Exchange realignment | – | (1,271) | – | (657) | (1,521) | (516) | (2,084) | (6,049) |
| Eliminated on disposal | – | – | – | (791,175) | – | – | (12,189) | (803,364) |
| Written off | – | – | – | – | (10,581) | (31,832) | (351) | (42,764) |
| At December 31, 2016 | 5,069,330 | 49,258 | – | 648,895 | 565,809 | 827,707 | 1,587,244 | 8,748,243 |
| Carrying amount: | | | | | | | | |
| At December 31, 2016 | 15,680,471 | 1,834,869 | 86,950 | 1,165,765 | 739,332 | 626,228 | 2,083,425 | 22,217,040 |
| At December 31, 2015 | 8,891,062 | 1,891,484 | 5,967,630 | 500,496 | 520,303 | 652,949 | 1,735,760 | 20,159,684 |

The carrying amount of the Group's plant and equipment includes an amount of $1,494,171 (2015: $799,671) secured in respect of assets held under finance leases.

In 2016, the Group has pledged leasehold and freehold land and buildings with a carrying amount of approximately $17,515,340 to secure banking facilities granted to the Group.

In 2015, the Group has pledged leasehold and freehold land and buildings and construction-in-progress with a carrying amount of approximately $16,750,176 to secure banking facilities granted to the Group.

## 11 INTANGIBLE ASSET

| | Group $ |
|---|---|
| Cost: | |
| At January 1, 2015 and December 31, 2015 | – |
| Additions | 6,498 |
| At December 31, 2016 | 6,498 |
| Amortisation: | |
| At January 1, 2015 and December 31, 2015 | – |
| Amortisation for the year | 1,083 |
| At December 31, 2016 | 1,083 |
| Carrying amount: | |
| At December 31, 2016 | 5,415 |
| At December 31, 2015 | – |

The intangible asset pertains to exclusive rights to use certain intellectual property, and has finite useful life of 3 years (2015: Nil), over which the asset is amortised.

The amortisation expense has been included in the line item "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

## 12 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2016 $ | 2015 $ |
| Equity shares at cost – unquoted | 3,125,581 | 3,150,000 |
| Less: Allowance for impairment | (650,000) | (650,000) |
| | 2,475,581 | 2,500,000 |

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Group's significant subsidiaries at December 31, 2016 are as follows:

| Name of subsidiary | Principal activities | Country of incorporation and operation | Proportion of ownership interest and voting power held | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| 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 | 95(4) | 100 |
| CE Asia Holdings Pte. Ltd.(1) | Investment holding | Singapore | 65 | 65 |
| WFVEN Pte. Ltd.(1) (7) | Investment holding | Singapore | 100 | – |
| Subsidiaries held by Wong Fong Engineering Works (1988) Pte. Ltd. | | | | |
| Wong Fong Pte. Ltd.(1) (8) | Investment holding | Singapore | 100 | 100 |
| WFRIC HK Limited(6) | Investment holding | Hong Kong | 100 | 100 |
| Subsidiary held by Wong Fong Pte. Ltd. | | | | |
| Wong Fong Myanmar Company Limited(3) | Distribution, rental and marketing services of heavy machinery and construction machinery including their spare parts, accessories and engineering works | Myanmar | 60 | – |

12 **INVESTMENT IN SUBSIDIARIES (CONTINUED)**

| Name of subsidiary | Principal activities | Country of incorporation and operation | Proportion of ownership interest and voting power held 2016 % | 2015 % |
|---|---|---|---|---|
| Subsidiary held by WFRIC HK Limited[(6)] | | | | |
| WFRIC Shenzhen Co., Ltd[(5)] | Research and development and trading of equipment | People's Republic of China ("PRC") | 100 | 100 |
| Subsidiaries held by CE Asia Holdings Pte. Ltd. | | | | |
| CE Asia Heavy Equipment Pte. Ltd.[(1)] | Traders of industrial, construction and related machinery and equipment | Singapore | 100 | 100 |
| CE Asia Heavy Machinery Sdn Bhd[(2)] | Mechanical engineering works and installation of industry machinery and all kinds of machinery component parts | Malaysia | 100 | 100 |

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

(2) Audited by an overseas practice of Deloitte Touche Tohmatsu Limited.

(3) Newly incorporated on October 21, 2016. Not audited for consolidation purposes as the management is of the opinion that the results of the subsidiary for the year is insignificant. The entity has yet to commence operations.

(4) 5% of shareholdings was transferred to an individual during the financial year.

(5) Audited by Grant Thornton LLP Shenzhen Office.

(6) Audited by Ho Sneddon Chow Certified Public Accountants Ltd.

(7) Newly incorporated in May 2016.

(8) On October 21, 2015, WFE acquired 30 ordinary shares in WFPL from the non-controlling interest shareholder, representing 30.0% of the issued and paid-up ordinary share capital and upon completion of the aforesaid acquisition, WFPL became a wholly-owned subsidiary of WFE. (Note 1)

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

| Principal activities | Place of incorporation and operation | Number of wholly owned subsidiaries 2016 | 2015 |
|---|---|---|---|
| Investment holding | Singapore and Hong Kong | 3 | 2 |
| Trading of machinery and equipment, and after services and repairs | Singapore and PRC | 2 | 2 |
| Training and consultancy services | Singapore | – | 1 |
| | | 5 | 5 |

| Principal activities | Place of incorporation and operation | Number of non-wholly owned subsidiaries 2016 | 2015 |
|---|---|---|---|
| Investment holding | Singapore | 1 | 1 |
| Training and consultancy services | Singapore | 1 | – |
| Trading of machinery and equipment | Singapore, Malaysia and Myanmar | 3 | 2 |
| | | 5 | 3 |

Details of non-wholly owned subsidiary that has material non-controlling interests to the Group is disclosed below:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Loss allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | % | % | $ | $ | $ | $ |
| CE Asia Holdings Pte. Ltd. | Singapore | 35 | 35 | (112,584) | (538,272) | (791,035) | (697,588) |

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

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

| | CE Asia Holdings Pte. Ltd. | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Current assets | 1,795,804 | 1,428,344 |
| Non-current assets | 2,151,335 | 2,270,652 |
| Current liabilities | (4,966,626) | (4,344,811) |
| Non-current liabilities | (1,240,612) | (1,347,294) |
| Equity attributable to owners of the Company | (1,469,064) | (1,295,521) |
| Non-controlling interests | (791,035) | (697,588) |
| Revenue | 2,232,500 | 1,493,258 |
| Expenses | (2,554,168) | (3,031,178) |
| Loss for the year | (321,668) | (1,537,920) |
| Loss attributable to owners of the Company | (209,084) | (999,648) |
| Loss attributable to non-controlling interests | (112,584) | (538,272) |
| Loss for the year | (321,668) | (1,537,920) |
| Other comprehensive income attributable to owners of the Company | 35,540 | 232,140 |
| Other comprehensive income attributable to non-controlling interests | 19,137 | 124,998 |
| Other comprehensive income for the year | 54,677 | 357,138 |
| Total comprehensive loss attributable to owners of the Company | (173,544) | (767,508) |
| Total comprehensive loss attributable to non-controlling interest | (93,447) | (413,274) |
| Total comprehensive loss for the year | (266,991) | (1,180,782) |
| Net cash inflow from operating activities | 239,046 | 112,744 |
| Net cash inflow (outflow) from investing activities | 13,674 | (45,674) |
| Net cash outflow from financing activities | (149,839) | (158,635) |
| Net cash inflow (outflow) | 102,881 | (91,565) |

## 13 INVESTMENT IN ASSOCIATE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Cost of investment in an associate | 200,000 | – |
| Share of post-acquisition loss, net of dividends received | (200,000) | – |
| | – | – |

The details of associate company are as follows:

| Name of associate | Country of incorporation and operations | Proportion of ownership interest | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 | |
| | | % | % | % | % | |
| Vanda Electrics Pte. Ltd.(1) | Singapore | 48 | – | 48 | – | Developing, owning and producing electric vehicles with a focus on the development and production of supercars, premium passenger cars, ant trucks and electric bicycles. |

(1) Newly incorporated in January 2016

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

## 13 INVESTMENT IN ASSOCIATE (CONTINUED)

Summarised financial information in respect of the associate as at December 31, 2016 is set out below.

| | 2016 |
|---|---|
| | $ |
| Current assets | 77,360 |
| Non-current assets | – |
| Total assets | 77,360 |
| Current liabilities | (3,486,945) |
| Non-current liabilities | – |
| Total liabilities | (3,486,945) |
| Net liabilities | (3,409,585) |
| Group's share of associate's net assets (48%) | – |
| Revenue | – |
| Loss for the year | (4,915,006) |
| Group's share of associate's loss for the year | (200,000) |
| Cash and cash equivalents included in current assets | 42,217 |

The losses not recognised were $2,159,203. Subsequent to year end, the Group's interest in associate is diluted to 22.4%.

## 14 AVAILABLE-FOR-SALE INVESTMENTS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Quoted debt securities, at fair value | – | – |

Movement of available-for-sale investments:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Balance at beginning of the year | – | 783,966 |
| Disposal | – | (783,966) |
| Balance at end of the year | – | – |

## 15 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| **Current liabilities** | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Trade payables: | | | | |
| – outside parties | 6,761,338 | 6,505,769 | 4,460 | – |
| Other payables: | | | | |
| – outside parties | 409,414 | 1,469,364 | – | 49,865 |
| – related parties(i) | 350,002 | 1,000,002 | – | – |
| – advanced billings | 3,351,585 | 5,991,270 | – | – |
| – accrued expenses | 2,941,153 | 4,495,790 | 269,109 | 90,444 |
| – others | 341,082 | 176,885 | – | – |
| | 7,393,236 | 13,133,311 | 269,109 | 140,309 |
| Total | 14,154,574 | 19,639,080 | 273,569 | 140,309 |
| **Non-current liabilities** | | | | |
| Other payables: | | | | |
| – outside parties | 30,932 | – | – | – |

(i) Related parties in 2016 refer to directors of a subsidiary while related parties in 2015 refer to company with common directors with the Company and directors of a subsidiary.

Trade payables are unsecured, non-interest bearing and are normally settled on 60 days (2015 : 60 days) credit terms.

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

## 16 FINANCE LEASES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Within one year | 358,288 | 206,106 | 328,401 | 189,870 |
| In second to fifth year inclusive | 463,349 | 286,871 | 435,356 | 272,105 |
| | 821,637 | 492,977 | 763,757 | 461,975 |
| Less: Future finance charges | (57,880) | (31,002) | – | – |
| Present value of lease obligations | 763,757 | 461,975 | 763,757 | 461,975 |
| Less: Amount due for settlement within 12 months | | | (328,401) | (189,870) |
| Amount due for settlement after 12 months | | | 435,356 | 272,105 |

## 16 FINANCE LEASES (CONTINUED)

The Group leases certain of its plant and equipment under finance leases. The lease term is for a period of 1 to 5 years (2015: 1 to 5 years) with an average effective interest rate of 4.16% (2015: 4.82%) per annum.

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

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 10).

## 17 BANK BORROWINGS

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Secured – at amortised cost | | |
| Bank borrowings | 7,261,283 | 6,243,833 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (1,093,243) | (4,646,801) |
| Amount due for settlement after 12 months | 6,168,040 | 1,597,032 |

The bank borrowings are secured by the Group's land and buildings, construction-in-progress (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 $362,357 (2015: $625,037) drawn down by a subsidiary from a bank. The loan is repayable in 10 years commencing from May 2008. The loan bears interest ranging from 2.25% to 3.38% (2015: 1.98% to 2.91%) per annum, based on 0.5% over the bank's commercial financing rate.

(b) A secured term loan with carrying amount of $1,212,938 (2015: $1,276,181) drawn down by a subsidiary from a bank. The loan is repayable over 20 years commencing from October 2014. The loan bears interest at 2.30% per annum below the bank's base financing rate. The effective interest rate for the year is 4.55% (2015: 4.55%)

(c) A secured term loan with carrying amount of $5,685,988 (2015: $4,342,615) drawn down by a subsidiary from a bank. The loan is repayable in 10 years commencing from August 2016. The loan bears interest ranging from 2.32% to 2.45% (2015: 2.79% to 3.22%) per annum.

Management estimates that the fair value of the above loans to approximate their carrying amounts.

## 18 DEFERRED TAX LIABILITIES

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

| | Accelerated tax depreciation $ | Provisions $ | Total $ |
|---|---|---|---|
| At January 1, 2015 | 405,952 | (7,273) | 398,679 |
| (Credit) Charge to profit or loss for the year (Note 25) | (10,891) | 39,211 | 28,320 |
| At December 31, 2015 | 395,061 | 31,938 | 426,999 |
| Charge (Credit) to profit or loss for the year (Note 25) | 54,171 | (52,170) | 2,001 |
| At December 31, 2016 | 449,232 | (20,232) | 429,000 |

| | Group | |
|---|---|---|
| | 2016 $ | 2015 $ |
| Deferred tax liabilities | 449,232 | 426,999 |
| Deferred tax assets | (20,232) | – |
| | 429,000 | 426,999 |

## 19 SHARE CAPITAL

| | Group | |
|---|---|---|
| Ordinary shares | Number of shares | Issued and paid up $ |
| Issued and paid up: | | |
| At January 1, 2015 | 2,850,000 | 2,850,000 |
| Adjustment arising from restructuring exercise | (2,850,000) | (2,850,000) |
| Issue of share capital | 3,600,000 | 4,800,000 |
| Sub-division of shares[b] | 16,000,000 | – |
| At January 1, 2016 | 19,600,000 | 4,800,000 |
| Share buy-back from a financial investor | (1,600,000) | (2,800,000) |
| After the share split[d] | 192,000,000 | 2,000,000 |
| Issue of Placement Shares pursuant to the Placement[1] | 43,000,000 | 9,350,674 |
| At December 31, 2016 | 235,000,000 | 11,350,674 |

(1) Placement Shares are new shares issued to the Placement Agent (a financial institution) on behalf of the Company for subscription at the issue price in relation to the IPO on the Catalist board of SGX-ST that took place during the year. A total of 43,000,000 shares were offered to the public at $0.23 per share. This takes into account the capitalisation of listing expenses of $539,326.

## 19 SHARE CAPITAL (CONTINUED)

| | Company | |
|---|---|---|
| | Number of shares | Issued and paid up $ |
| Ordinary shares | | |
| Issued and paid up: | | |
| At January 2, 2015 (date of incorporation) | 1 | 1 |
| Issue of new shares[(a) (c)] | 3,599,999 | 4,799,999 |
| Sub-division of shares[(b)] | 16,000,000 | – |
| At January 1, 2016 | 19,600,000 | 4,800,000 |
| Share buy-back from a financial investor | (1,600,000) | (2,800,000) |
| After the share split[(d)] | 192,000,000 | 2,000,000 |
| Issue of Placement Shares pursuant to the Placement | 43,000,000 | 9,350,674 |
| At December 31, 2016 | 235,000,000 | 11,350,674 |

(a) On February 24, 2015 the Company issued 1,999,999 ordinary shares in the Company to its shareholders for a consideration of $1,999,999.

(b) On February 26, 2015 the Company sub-divided its existing 2,000,000 ordinary shares into nine ordinary shares each, resulting in an issued and paid up capital of $2,000,000 comprising 18,000,000 ordinary shares.

(c) On March 20, 2015, the Company issued 1,600,000 ordinary shares in the Company to a shareholder for a consideration of $2,800,000.

(d) On July 13, 2016, the Company sub-divided its existing 18,000,000 ordinary shares into 32 shares with every 3 ordinary shares, resulting in an issued and paid up capital of $2,000,000 comprising 192,000,000 ordinary shares.

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

## 20 RESERVES

| | Group | |
|---|---|---|
| | 2016 $ | 2015 $ |
| Investment revalution reserve [(a)] | – | – |
| Foreign currency translation reserve [(b)] | 340,332 | 304,081 |
| Capital reserve [(c)] | 12,116 | 12,116 |
| | 352,448 | 316,197 |

## 20 RESERVES (CONTINUED)

(i) Movement in investment revaluation reserve:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| At beginning of the year | – | 11,287 |
| Other comprehensive income | – | (11,287) |
| At end of the year | – | – |

(ii) Movement in foreign currency translation reserve:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| At beginning of the year | 304,081 | 59,786 |
| Other comprehensive income | 36,251 | 244,295 |
| At end of the year | 340,332 | 304,081 |

(a) Investment revaluation reserve represents the fair value changes of available-for-sale investment.

(b) Foreign currency translation reserve represents exchange differences relating to the translation from the functional currency of the Group's foreign subsidiaries into Singapore dollars and are recorded in the foreign currency translation reserve.

(c) Capital reserve represents the gain on acquisition of additional interest in a subsidiary from non-controlling interest shareholder in prior year.

## 21 REVENUE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Equipment Sales | 48,539,006 | 58,407,189 |
| Repairs and Servicing | 13,558,832 | 13,625,277 |
| Projects | 6,931,610 | 5,124,814 |
| Training | 1,173,524 | 466,091 |
| | 70,202,972 | 77,623,371 |

## 22 OTHER OPERATING INCOME

| | Group 2016 $ | Group 2015 $ |
|---|---|---|
| Commission income | 96,294 | 107,420 |
| Consultancy fee | – | 114,985 |
| Dividend income | – | 10,300 |
| Fair value gain on derivative financial instruments | – | 42,570 |
| Gain on disposal of property, plant and equipment | 274,379 | 33,818 |
| Interest income | 743 | 2,976 |
| Government grants | 391,955 | 538,609 |
| Rental income | 80,676 | 111,348 |
| Others | 114,703 | 45,295 |
| | 958,750 | 1,007,321 |

## 23 OTHER OPERATING EXPENSES

| | Group 2016 $ | Group 2015 $ |
|---|---|---|
| Insurance | 345,375 | 153,920 |
| Professional fees | 1,026,413 | 1,153,769 |
| Rental expenses | 540,835 | 611,745 |
| Repair and maintenance | 467,041 | 430,284 |
| Marketing expense | 303,237 | 176,785 |
| Entertainment expense | 261,609 | 120,740 |
| Loss on foreign exchange – net | 269,907 | 713,795 |
| Allowance for doubtful debts – trade | 129,393 | 21,089 |
| Bad debts written off – trade | 1,729 | 25,053 |
| Fixed assets written off | 13,033 | 24,429 |
| Allowance for inventories | 79,536 | 25,121 |
| Inventories written off | 55,742 | – |
| Other expenses | 1,174,037 | 1,306,183 |
| | 4,668,887 | 4,762,913 |

## 24 FINANCE COSTS

| | Group 2016 $ | Group 2015 $ |
|---|---|---|
| Interest on obligations under finance leases | 19,773 | 22,875 |
| Interest on bank overdraft | – | 20 |
| Interest on bank borrowings | 230,857 | 134,004 |
| Others | 63,819 | 32,940 |
| | 314,449 | 189,839 |

## 25 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Current tax expense | 524,000 | 368,001 |
| Overprovision in respect of prior years | | |
| – current tax | (29,461) | (21,726) |
| Deferred tax (Note 18) | 2,001 | 28,320 |
| | 496,540 | 374,595 |

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Profit before tax | 3,965,009 | 5,708,076 |
| Income tax expenses calculated at 17% (2015: 17%) | 674,052 | 970,373 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (9,144) | (111,875) |
| Tax effect of items that are non-deductible/(taxable) in determining taxable profits | 238,195 | (71,783) |
| Effect of tax incentives | (354,779) | (739,263) |
| Tax-exempt income and tax rebates | (58,902) | (91,850) |
| Overprovision of tax in respect of prior years | (29,461) | (21,726) |
| Deferred tax assets not recognised | 16,320 | 450,819 |
| Others | 20,259 | (10,100) |
| | 496,540 | 374,595 |

Subject to the agreement with the relevant tax authorities and compliance with conditions of the relevant tax legislations, certain subsidiaries have the following deductible temporary differences, unabsorbed capital allowance and unutilised tax losses which are available for offset against any future taxable profits. No deferred tax asset has been recognised due to unpredictability of future profit stream.

## 25 INCOME TAX EXPENSE (CONTINUED)

| | Group | | | |
|---|---|---|---|---|
| | Deductible temporary differences | Unutilised capital allowances | Unutilised tax losses | Total |
| | $ | $ | $ | $ |
| At January 1, 2015 | 3,248,000 | 215,000 | 1,391,000 | 4,854,000 |
| Addition during the year | 926,000 | 58,000 | 659,000 | 1,643,000 |
| At December 31, 2015 | 4,174,000 | 273,000 | 2,050,000 | 6,497,000 |
| Adjustment during the year | 273,000 | (273,000) | – | – |
| (Reduction)/Addition during the year | (532,000) | – | 600,000 | 68,000 |
| At December 31, 2016 | 3,915,000 | – | 2,650,000 | 6,565,000 |

## 26 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Depreciation and amortisation | | |
| – Depreciation of property, plant and equipment | 1,630,748 | 1,275,928 |
| – Amortisation of intangible asset | 1,083 | – |
| Employment benefits-directors of subsidiaries | | |
| – Short term and other long term benefits | 2,019,205 | 1,820,398 |
| – Defined contribution plans | 135,984 | 134,329 |
| Directors' fees | | |
| – Directors of the Company | 170,000 | – |
| Employee benefit expense (including directors' remuneration) | | |
| – Defined contribution plans | 1,020,458 | 970,812 |
| – Others | 11,912,086 | 12,594,673 |
| Audit fees | | |
| – paid to auditors of the Company | 122,800 | 124,000 |
| – paid to other auditors | 17,868 | 14,051 |
| Non-audit fees | | |
| – paid to auditors of the Company | 27,700 | 27,200 |
| – paid to other auditors | 1,300 | 1,300 |
| Cost of inventories recognised as an expense | 47,450,085 | 53,128,451 |
| Expenses relating to the Company's IPO (1) | 552,373 | 413,090 |
| Allowance for doubtful debts | 129,393 | 21,089 |
| Bad debts written off – trade | 1,729 | 25,053 |
| Gain on disposal of property, plant and equipment | (274,379) | (33,818) |

## 26 PROFIT FOR THE YEAR (CONTINUED)

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Government grants | (391,955) | (538,609) |
| Loss on foreign exchange – net | 269,907 | 713,795 |
| Loss (Gain) on fair value change on derivative financial instruments | 9,951 | (42,570) |
| Allowance for inventories | 79,536 | 25,121 |
| Inventories written off | 55,742 | – |

(1) In 2015, this included non-audit fees of $270,500.

## 27 DIVIDEND

2015

In respect of the financial year ended December 31, 2015:

– A subsidiary, WFE, declared and paid one-tier tax exempt dividend of $2.50 per share (total of $5,000,000) to the former shareholders of the Company. The dividend was paid on February 2, 2015; and

– A subsidiary, WFPL, declared and paid one-tier tax exempt dividend of $5,000 per share (total of $150,000) to its non-controlling interest shareholder. The dividend was paid on February 17, 2015.

2016

In respect of the financial year ended December 31, 2016:

– The Company declared and paid one-tier tax exempt dividend of $0.11 per share (total of $2,200,000) to the shareholders of the Company. The dividend has been paid on May 5, 2016 to the respective shareholders then.

In respect of the current financial year, the directors proposed that a dividend of $0.003 to be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $705,000.

## 28 OPERATING LEASE ARRANGEMENTS

The Group as lessee

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Payment recognised as an expense during the year: | | |
| Minimum lease payments under operating leases | 530,631 | 602,869 |

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Within one year | 267,908 | 554,930 |
| In the second to fifth years inclusive | 937,035 | 956,859 |
| After five years | 5,721,858 | 508,013 |
| | 6,926,801 | 2,019,802 |

Operating lease payments represent rentals payable by the Group for lease of lands, warehouse, industrial training spaces and office premise. The lands' leases are for an average term of 30 years and include an option to extend ranging from 19 to 30 years. Rentals are subject to annual review by landlord.

Rental for warehouse, industrial training spaces and office premises are for an average term of 1 to 3 years and fixed for the lease period.

The Group as lessor

The Group rents out its office space in one of its building to a third party. The lease has expired during the year without renewal, and the space is currently occupied by one of its subsidiaries.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Within one year | – | 66,176 |

## 29 COMMITMENTS

As at the end of the financial year, the Group has the following capital commitments:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Capital expenditure commitment | 205,402 | 2,866,217 |

## 30 SEGMENT INFORMATION

For purposes of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn are segregated based on the type of goods and services supplied. This forms the basis of identifying the segments of the Group under FRS 108 *Operating segments* as follows:

(i) Equipment Sales

(ii) Repairs and Servicing

(iii) Projects

(iv) Training

Information regarding the operations of each reportable segment is included below.

## 30 SEGMENT INFORMATION (CONTINUED)

*Segment revenue and results*

The following is an analysis of the Group's revenue and results by reportable segment:

| | Group | | | |
|---|---|---|---|---|
| | Revenue | | Profit before income tax | |
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Equipment Sales | 48,539,006 | 58,407,189 | 1,153,245 | 2,314,635 |
| Repairs and Servicing | 13,558,832 | 13,625,277 | 4,275,713 | 4,142,743 |
| Projects | 6,931,610 | 5,124,814 | 602,326 | 1,589,892 |
| Training | 1,173,524 | 466,091 | (88,665) | (216,687) |
| | 70,202,972 | 77,623,371 | 5,942,619 | 7,830,583 |
| Employee benefit expense(i) | | | (506,785) | (745,307) |
| Other operating expenses(i) | | | (957,119) | (1,200,637) |
| Dividend income from available-for-sale investments | | | – | 10,300 |
| Share of loss from associate | | | (200,000) | – |
| Interest income | | | 743 | 2,976 |
| Finance costs | | | (314,449) | (189,839) |
| Profit before income tax expense | | | 3,965,009 | 5,708,076 |
| Income tax expenses | | | (496,540) | (374,595) |
| Profit for the year | | | 3,468,469 | 5,333,481 |

(i) Pertains mainly to research and development related expenses and listing 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 expenses, listing related expenses, dividend income from available-for-sale investments, 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 | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Equipment Sales | 36,860,884 | 39,698,859 |
| Repairs and Servicing | 9,966,101 | 10,856,531 |
| Projects | 4,877,102 | 4,911,043 |
| Training | 604,377 | 511,009 |
| Total segment assets | 52,308,464 | 55,977,442 |
| Unallocated assets | 14,175,724 | 6,608,579 |
| Consolidated total assets | 66,484,188 | 62,586,021 |

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers monitors the tangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than group entities that are investment holding in nature (Note 12) and investments in associate (Note 13). Assets used jointly by reportable segment 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 | |
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Equipment Sales | 1,102,245 | 900,910 | 2,493,536 | 5,349,282 |
| Repairs and Servicing | 309,963 | 233,533 | 701,408 | 1,379,668 |
| Projects | 149,989 | 110,587 | 362,313 | 711,256 |
| Training | 69,634 | 30,898 | 200,603 | 202,462 |
| Total | 1,631,831 | 1,275,928 | 3,757,860 | 7,642,668 |

*Geographical information*

The Group's operations are carried out predominately in Singapore (country of domicile), except for three subsidiaries operating in Malaysia, Hong Kong and People's Republic of China.

During the year, the Group's revenue attributed to customers located in Singapore constitutes approximately 95% (2015: 92%), with the remaining revenue attributed to customers from foreign countries.

## 30 SEGMENT INFORMATION (CONTINUED)

*Information about major customers*

No single customer accounted for more than 10% of the Group's total revenue during the financial year. The top five customers represents 22% (2015: 20%) of the Group's total revenue.

## 31 EARNINGS PER SHARE

The calculation of the earnings per share attributable to the ordinary owners of the Company is based on the following data:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Earnings per ordinary share ("EPS") | | |
| Profit attributable to owners of the Company | 3,581,053 | 5,621,088 |
| Weighted average number of ordinary shares for purpose of earnings per share | 118,509,589 | 105,407,125[(1)] |
| EPS-Basic and diluted (cents) | 3.0 | 5.3 |

There were no dilutive equity instruments for 2016 and 2015.

**Note:**

(1) In 2015, for comparative purposes pursuant to the IPO, the earnings per share for 2015 have been computed based on the profit attributable to owners of the Company and the Company's weighted average share capital of 105,407,125 shares, which included the sub-division of its existing 19,600,000 ordinary shares in the capital of the Company into 32 shares with every 3 shares.

## 32 COMPARATIVE FIGURES

Company

In 2015, the financial statements of the Company cover the financial period since incorporation on January 2, 2015 to December 31, 2015. In 2016, the financial statements of the Company cover the financial year from January 1, 2016 to December 31, 2016.

# STATISTICS OF SHAREHOLDINGS

## SHAREHOLDERS' INFORMATION

| | | |
|---|---|---|
| Number of issued shares | : | 235,000,000 |
| Issued and fully paid-up capital | : | S$11,350,674 |
| Number of treasury shares held | : | Nil |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per ordinary share |
| Number of subsidiary holdings | : | Nil |

## BREAKDOWN OF SHAREHOLDINGS BY RANGE

AS AT 20 MARCH 2017

| Size of shareholdings | No. of shareholders | % of shareholders | No. of shares | % of issued share capital |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 8 | 1.86 | 5,400 | 0.00 |
| 1,001 – 10,000 | 116 | 26.98 | 806,500 | 0.34 |
| 10,001 – 1,000,000 | 299 | 69.53 | 26,745,500 | 11.38 |
| 1,000,001 and above | 7 | 1.63 | 207,442,600 | 88.28 |
| | 430 | 100.00 | 235,000,000 | 100.00 |

## TOP 20 SHAREHOLDERS

AS AT 20 MARCH 2017

| No. | Name of shareholder | No. of shares | % |
|---|---|---|---|
| 1 | WONG FONG INVESTMENTS PTE. LTD. | 161,280,000 | 68.63 |
| 2 | LEE TECK LEONG | 19,200,000 | 8.17 |
| 3 | LEE CHONG SENG | 11,520,000 | 4.90 |
| 4 | UOB KAY HIAN PTE LTD | 8,642,600 | 3.68 |
| 5 | KOH BOON HWEE | 3,200,000 | 1.36 |
| 6 | PE KOK BOON | 1,800,000 | 0.77 |
| 7 | TAN ENG HUI | 1,800,000 | 0.77 |
| 8 | CHANG LING SEOW | 1,000,000 | 0.43 |
| 9 | CIMB SECURITIES (SINGAPORE) PTE LTD | 823,000 | 0.35 |
| 10 | SIM SEM PENG | 800,000 | 0.34 |
| 11 | NG ENG SENG | 679,900 | 0.29 |
| 12 | WHANG CHIN KEONG | 610,000 | 0.26 |
| 13 | CHONG CHIAH JOO | 600,000 | 0.26 |
| 14 | DBS NOMINEES PTE LTD | 564,300 | 0.24 |
| 15 | TEHC INTERNATIONAL PTE LTD | 530,000 | 0.23 |
| 16 | ADAM PEH KIAN BENG | 500,000 | 0.21 |
| 17 | ER KEE SING | 500,000 | 0.21 |
| 18 | POH CHOON KAH | 500,000 | 0.21 |
| 19 | WONG KOH HOI | 500,000 | 0.21 |
| 20 | TSAO SAN | 482,500 | 0.21 |
| | | 215,532,300 | 91.73 |

# STATISTICS OF SHAREHOLDINGS

## SUBSTANTIAL SHAREHOLDERS

AS AT 20 MARCH 2017

| | Shareholdings registered in the name of substantial shareholder | | Shareholdings in which the substantial shareholders are deemed to be interested | |
|---|---|---|---|---|
| **Name of substantial shareholder** | **No. of shares** | **%** | **No. of shares** | **%** |
| Wong Fong Investments Pte. Ltd. | 161,280,000 | 68.63 | – | – |
| Lee Teck Leong | 19,200,000 | 8.17 | – | – |
| Lew Kit Foo @ Liew Foo(1)(2) | – | – | 161,420,000 | 68.69 |
| Liew Ah Kuie(3) | – | – | 161,280,000 | 68.63 |
| Liew Chern Yean(1) | – | – | 161,280,000 | 68.63 |
| Lew Chern Yong (Liu Zhengrong)(1) | – | – | 161,280,000 | 68.63 |
| Jimmy Lew Holding Pte. Ltd.(4) | – | – | 161,280,000 | 68.63 |
| Ng Thye Eng(1) | 140,000 | 0.06 | 161,280,000 | 68.63 |
| Liew Khuen Choy(5) | – | – | 161,280,000 | 68.63 |

**Notes:**

(1) Lew Kit Foo @ Liew Foo is the husband of Ng Thye Eng. Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) are children of Lew Kit Foo @ Liew Foo and Ng Thye Eng. Lew Kit Foo @ Liew Foo, Liew Chern Yean, Lew Chern Yong (Liu Zhengrong) and Ng Thye Eng each hold 20% of the issued and paid-up share capital in Jimmy Lew Holding Pte. Ltd. ("**Jimmy Lew Holding**"), which in turn is deemed interested in the 161,280,000 shares held by Wong Fong Investments Pte. Ltd. ("**Wong Fong Investments**"). Accordingly, Lew Kit Foo @ Liew Foo, Liew Chern Yean, Lew Chern Yong (Liu Zhengrong) and Ng Thye Eng are deemed to be interested in the 161,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the Securities and Futures Act (Cap. 289) ("**SFA**").

(2) Lew Kit Foo @ Liew Foo is deemed to be interested in the 140,000 shares held by his spouse, Ng Thye Eng by virtue of Section 7 of the Singapore Companies Act, Chapter 50.

(3) Liew Ah Kuie holds approximately 27.44% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 161,280,000 shares. Accordingly, Liew Ah Kuie is deemed to be interested in the 161,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(4) Jimmy Lew Holding holds approximately 39.63% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 161,280,000 shares. Accordingly, Jimmy Lew Holding is deemed to be interested in the 161,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

(5) Liew Khuen Choy holds approximately 21.95% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 161,280,000 shares in the Company. Accordingly, Liew Khuen Choy is deemed to be interested in the 161,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.

## PUBLIC FLOAT

Based on information available to the Company as at 20 March 2017, approximately 22.25% of the total number of issued ordinary shares of the Company was held in the hands of public as defined in the Catalist Rules. Accordingly, Rule 723 of the Catalist Rules has been complied with.

# 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 at 79 Joo Koon Circle, Singapore 629107 on Friday, 28 April 2017 at 3.00 p.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 2016 ("**FY2016**") together with the auditors' report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 0.3 Singapore cents per ordinary share for FY2016. **(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 Lew Kit Foo @ Liew Foo **(Resolution 3)**

   Mr Liew Ah Kuie **(Resolution 4)**

   [See Explanatory Note (i)]

4. To re-elect the following Directors retiring in accordance with Regulation 118 of the Constitution:

   Mr Pao Kiew Tee **(Resolution 5)**

   Mr Lee Yong Soon **(Resolution 6)**

   Mr Tan Soon Liang **(Resolution 7)**

   Mr Artawat Udompholkul **(Resolution 8)**

   [See Explanatory Note (ii)]

5. To approve the sum of S$89,658 as Directors' fees for FY2016. **(Resolution 9)**

6. To approve the sum of S$175,000 as Directors' fees for the financial year ending 31 December 2017 and the payment thereof semi-annually in arrears. **(Resolution 10)**

7. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 11)**

8. 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:

9. **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**"), Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") and the Constitution, authority be and is hereby given to the Directors to (i) allot and issue new 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) in the capital of the Company (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 the then existing shareholders of the Company ("**Shareholders**“) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (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 options or vesting of 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. **(Resolution 12)**

[See Explanatory Note (iii)]

10. **Authority to grant awards and to allot 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 share capital (excluding treasury shares and subsidiary holdings) of the Company 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. **(Resolution 13)**

[See Explanatory Note (iv)]

By Order of the Board

Sharon Yeoh
Company Secretary

Singapore, 13 April 2017

**Explanatory Notes on Ordinary Resolutions to be passed:**

(i) **Resolution 3** – Detailed information on Mr Lew Kit Foo @ Liew Foo can be found in the Company's annual report 2016. Mr Lew Kit Foo @ Liew Foo, if re-elected as a Director, will remain as Executive Chairman of the Company. Mr Lew Kit Foo @ Liew Foo is a controlling Shareholder, brother of Mr Liew Ah Kuie (Deputy Chairman and Managing Director) and father of Mr Liew Chern Yean and Mr Lew Chern Yong (Executive Directors). Save as disclosed in the Company's annual report 2016, there are no relationships including immediate family relationships between Mr Lew Kit Foo @ Liew Foo and the other Directors, its 10% Shareholders or its officers.

**Resolution 4** – Detailed information on Mr Liew Ah Kuie can be found in the Company's annual report 2016. Mr Liew Ah Kuie, if re-elected as a Director, will remain as Deputy Chairman and Managing Director of the Company. Mr Liew Ah Kuie is a controlling Shareholder, brother of Mr Lew Kit Foo @ Liew Foo (Executive Chairman) and uncle of Mr Liew Chern Yean and Mr Lew Chern Yong (Executive Directors). Save as disclosed in the Company's annual report 2016, there are no relationships including immediate family relationships between Mr Liew Ah Kuie and the other Directors, its 10% Shareholders or its officers.

(ii) **Resolution 5** – Detailed information on Mr Pao Kiew Tee can be found in the Company's annual report 2016. Mr Pao Kiew Tee, if re-elected as a Director, will remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee, and shall be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships including immediate family relationships between Mr Pao Kiew Tee and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

**Resolution 6** – Detailed information on Mr Lee Yong Soon can be found in the Company's annual report 2016. Mr Lee Yong Soon, if re-elected as a Director, will remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee, and shall be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships including immediate family relationships between Mr Lee Yong Soon and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

**Resolution 7** – Detailed information on Mr Tan Soon Liang can be found in the Company's annual report 2016. Mr Tan Soon Liang, if re-elected as a Director, will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee, and shall be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships including immediate family relationships between Mr Tan Soon Liang and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

**Resolution 8** – Detailed information on Mr Artawat Udompholkul can be found in the Company's annual report 2016. Mr Artawat Udompholkul, if re-elected as a Director, will remain as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee, and shall be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships including immediate family relationships between Mr Artawat Udompholkul and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

(iii) **Resolution 12** in item 9 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).

(iv) **Resolution 13** in item 10 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 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 share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

**Notes:**

1. A member entitled to attend and vote at the AGM is entitled to appoint no more than 2 proxies to attend and vote on his behalf. Where a member appoints more than 1 proxy, he shall specify the proportion of his shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, any member who is a relevant intermediary is entitled to appoint 1 or more proxies to attend and vote at the AGM. Relevant intermediary 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 under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

    (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. A proxy or attorney need not be a member of the Company.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 79 Joo Koon Circle, Singapore 629107 not less than 72 hours before the time appointed for the holding of the AGM.

**PERSONAL DATA PRIVACY**

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) 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 proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy 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**"); and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

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# WONG FONG INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201500186D)

**IMPORTANT**

1. A relevant intermediary may appoint more than 2 proxies to attend the AGM and vote (please see Note 4 for the definition of "relevant intermediary").
2. Please read the notes to the Proxy Form on the Personal Data Privacy.

## PROXY FORM

I/We ________________________________________ NRIC/Passport/Co.Registration No. ____________________

of ____________________________________________________________________________

being a member/members of **WONG FONG INDUSTRIES LIMITED** ("**Company**") hereby appoint

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to vote for me/us and on my/our behalf at the annual general meeting ("**AGM**") of the Company to be held at 79 Joo Koon Circle, Singapore 629107 on Friday, 28 April 2017 at 3.00 p.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

| No. | Resolutions relating to: | For* | Against* |
|---|---|---|---|
| 1 | Directors' statement and the audited financial statements of the Company for FY2016 together with the auditors' report thereon | | |
| 2 | Payment of proposed first and final tax exempt (one-tier) dividend of 0.3 Singapore cents per ordinary share for FY2016 | | |
| 3 | Re-election of Mr Lew Kit Foo @ Liew Foo as a Director | | |
| 4 | Re-election of Mr Liew Ah Kuie as a Director | | |
| 5 | Re-election of Mr Pao Kiew Tee as a Director | | |
| 6 | Re-election of Mr Lee Yong Soon as a Director | | |
| 7 | Re-election of Mr Tan Soon Liang as a Director | | |
| 8 | Re-election of Mr Artawat Udompholkul as a Director | | |
| 9 | Approval of Directors' fees for FY2016 | | |
| 10 | Approval of Directors' fees for the financial year ending 31 December 2017 | | |
| 11 | Re-appointment of Deloitte & Touche LLP as auditors | | |
| 12 | Authority to allot and issue shares in the capital of the Company | | |
| 13 | Authority to grant awards and to allot and issue shares pursuant to the PSP | | |

* *Please indicate your vote "For" or "Against" with a "√" within the boxes provided*

Dated this ________ day of ________________ 2017

| Total number of shares in: | No. of shares held |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________

Signature(s) of Member(s) or
Common Seal of Corporate Member

**IMPORTANT**

PLEASE READ NOTES OVERLEAF

**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 the 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 in the capital of the Company held by you.
2. A member who is not a relevant intermediary may appoint not more than 2 proxies to attend and vote at the AGM.
3. Where a member appoints more than 1 proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the nomination shall be deemed to be alternative.
4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 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.

   You are entitled to **appoint 1 or more proxies** to attend and vote at the AGM. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming AGM.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 79 Joo Koon Circle, Singapore 629107 not less than 72 hours before the time appointed for the AGM.

*fold along this line (1)*

Please affix postage stamp

**WONG FONG INDUSTRIES LIMITED**
79 Joo Koon Circle
Singapore 629107

*fold along this line (2)*

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, power of attorney or a notarially certified copy thereof 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
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 a proxy or proxies. 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 appointed for holding the Meeting, 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 2017.

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**WWW.WONGFONGINDUSTRIES.COM**

**SINGAPORE**

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