



# WONG FONG INDUSTRIES



**TRAINING**



**ENGINEERING**

**ANNUAL REPORT 2018**

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

Wong Fong is a leading provider of land transport and waste management solutions in Singapore, Malaysia and Myanmar. Its manufacturing facilities in Singapore and Malaysia have a combined land area of approximately 16,500 square metres. Other than its core load handling business, it also furnishes clients with innovative waste management systems as well as assistive technology and mobility aids. Wong Fong also provides unique customised solutions, in which the Advanced Engineering Team will partner closely with the client to understand, engineer and prototype the required solutions prior to production. Having one of the largest and most advanced service centres for hydraulic and mechanical equipment, clients are assured of competent after sales service. Wong Fong Academy (“**WFA**”) completes the solution by providing targeted training for users of these equipment so as to ensure that operational competency and safety standards are met.

Wong Fong’s training business, which first commenced in 2011, has grown dynamically in recent years. Today, the Group conducts training in over 50 courses, many of which are Singapore Workforce Skills Qualifications-accredited, across diverse industries. Amongst others, they include areas such as industrial engineering, construction, food hygiene, quality and service audit, consultancy, workplace safety, security and cleaning as well as food and beverage.

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

**WFA has now expanded its training services to include areas such as food hygiene, quality and service audit, consultancy, workplace safety, security and food and beverage.**



# OUR BUSINESS

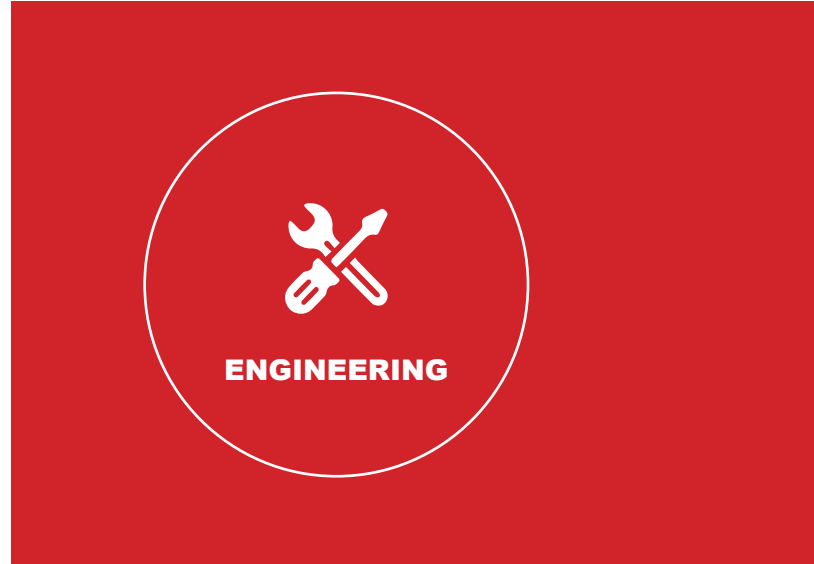
## ENGINEERING

### EQUIPMENT SALES

- Sells and installs load handling systems and waste management systems, and assistive technology and mobility aids.
- Range includes truck-mounted cranes, tailgates, tippers, self-loaders, hookloaders, portable compactors and sweeper vehicles.
- Dealerships for *Dhollandia*, *Palfinger*, *Pöttinger*, and *Europress*.
- Exclusive dealer for *Palfinger*, the world's leading brand for cranes in Singapore and authorised dealer in Malaysia and Myanmar.
- 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.
- Team of industrial designers, engineers and technicians, with advanced facilities and comprehensive resources.
- Notable projects include customisation of special purpose vehicles and solutions (defence solutions).
- Offers Advanced Engineering, which provides customers with constantly improving and innovative engineering and industrial solutions, through a specialised engineering team led by the Group's Chief Technical Officer that sources for the latest products and technology in the market.
- Focus areas for product and service development include military, urban material regeneration, specialised vehicles and electric-mobility.
- Products developed includes ZUKUN solutions for smart compactor, onboard weighing and crane stability control system.



### 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.



Wong Fong is one of the leading providers of land transport engineering solutions and systems for the logistics, construction, waste management and defence industries with a growing training and education business. With presence in Singapore, Malaysia and Myanmar, the Group serves a broad customer base.



## TRAINING

- Provides more than 50 courses under its curriculum, many of which are Singapore Workforce Skills Qualifications-accredited, as well as offers hospitality consultancy services.
- Courses include, among others, skill and safety-related training for diverse sectors such as industrial engineering, construction, food and beverage, security and cleaning as well as heavy industries comprising oil and gas, shipyard as well as marine and logistics.
- Trained over 20,000 workers in Singapore and Myanmar in 2018.
- Both WFA and Ascendo International Holdings Pte. Ltd. (“**Ascendo**”) are Approved Training Organisations under the Workforce Skills Qualifications Framework.
- Its training, education, human capital and consultancy business entities will be consolidated under 1SG, a single integrated human capital development platform that is committed to empower and develop an agile and innovative workforce.





PAO KIEW TEE  
Independent Chairman

## A MESSAGE FROM OUR

# CHAIRMAN AND GROUP CEO

Dear Shareholders,

On behalf of the board of directors of the Company (“**Board**” or “**Directors**”), we are pleased to present Wong Fong’s annual report for the financial year ended 31 December 2018 (“**FY2018**”). The year saw Wong Fong continuing in its path of business transformation as we focused on harnessing the opportunities brought about by our Training Business while seeking ways to reposition our Engineering Business amidst challenging market conditions. As such, innovation and rejuvenation have been the key tenets of our efforts to drive Wong Fong’s growth.

FY2018 was a ground-breaking year for the Group in more ways than one. Our deliberate and consistent efforts in the Training Business over the years have resulted in the creation of a second business driver that had enabled the Group to achieve a more balanced and sustainable

business mix. In March, the Group appointed Mr Pao Kiew Tee as an Independent Chairman of the Board. Together with the rest of the Board, we will work closely with the management team to not only broaden the revenue base but also identify and groom the next leadership team to take the Group forward in a sustainable manner. The Group plans to do this by continually investing in its people, researching new and enhancing our existing capabilities as well as to actively seek synergistic alliances within a robust capital structure.

### **ORDINARY PLUS 30<sup>TH</sup> YEAR SPECIAL DIVIDEND**

2018 marks the 30<sup>th</sup> year since the incorporation of Wong Fong Engineering Works (1988) Pte Ltd upon which laid the foundation for the listing of Wong Fong Industries Limited on the Catalist Board of the SGX-ST in July 2016. To commemorate this milestone, Wong Fong is proposing a special

dividend of 0.13 Singapore cents per share in addition to a final dividend of 0.38 cents per share for FY2018. Together with the special dividend, this works out to a total dividend per share of 0.51 cents in FY2018, a 41.7% increase from 0.36 cents per share paid in FY2017.

### **FY2018 PERFORMANCE REVIEW**

Our businesses faced several macroeconomic headwinds during 2018. The global economy last year was dominated by geopolitical uncertainties, political rifts and US-China trade tensions which affected business confidence. Rounding off a year marked by growing protectionist challenges, Singapore’s economy grew 3.2% in 2018 down from 2017’s 3.9%. Though the local construction sector has been facing challenges in the last 3 years, the sector contracted at a slower pace in 2018, shrinking by 3.4% year-on-year compared

# FONG TRIES



**JAMES LIEW**

Co-Founder and Group Chief Executive Officer

with a 10.2% contraction in 2017, mainly weighed down by the weakness in public sector construction works.<sup>1</sup>

Amidst this landscape, we reported a net profit attributable to owners of the Company of S\$2.3 million and revenue of S\$56.5 million in FY2018, against a net profit of S\$4.3 million and revenue of S\$67.3 million for the year ended 31 December 2017 (“FY2017”).

Revenue from the Engineering Business, comprising Equipment Sales, Repairs and Servicing and Projects, had declined by 27.0% to S\$46.4 million due to the challenging business environment and heightened competition from new market entrants. Whilst the Group’s Repairs and Servicing and Projects segments remained relatively resilient, the Equipment Sales segment had experienced a slowdown in sales that had affected the profitability of the Engineering Business.

Conversely, the Training Business for FY2018 had seen a 169.0% increase in year-on-year revenue to S\$10.0 million. Investments made by the Group over the years paid off as the Training Business maintained its growth momentum and expanded its business through organic growth, partnerships and acquisitions. As a result, the Training Business increased its revenue contribution to the Group from 5.5% in FY2017 to 17.8% of the Group’s total revenue in FY2018, while its percentage contribution to pre-tax profit increased significantly from 10.2% in FY2017 to 69.3% in FY2018.

....broaden the revenue but also identify and groom the next leadership team to take the Group forward in a sustainable manner.

## REJUVENATING AND INNOVATING OUR BUSINESSES

In an increasingly competitive business landscape, we believe technology and innovation remain integral to the long-term sustainability of our businesses. As such, the Group will continue to explore and evaluate the introduction of more products into the markets, including incorporating SMART technology and Internet of Things into the products and solutions we offer.

Our Training Business has come a long way since we started with offering skills and safety-related training mainly for the industrial and construction industries under WFA. In 2017, the Group made its first diversification into the food and beverage, hospitality and security and cleaning sectors by taking a 60% stake in Ascendo. By the end of 2018, the Training Business had conducted a total approximately 2,000 training courses for over 20,000 workers across Singapore and Myanmar, compared to approximately 1,400 and over 13,000 respectively in FY2017.

1. *The Straits Times*, “The Straits Times, “Singapore economy slows to 3.2% growth in 2018 as Q4 growth falls to 1.9%; more easing seen for 2019”, 15 February 2019

To better align and manage the dynamic growth of our Training Business, the Group will be consolidating all our training entities under a holding company – 1SG. This alignment under 1SG will not only allow the management to reap synergistic benefits within the various training entities but also enable it to create more value within the Training Business by offering human resources solutions and consultancy services alongside training. In addition, 1SG will continue to collaborate with global and local players to offer skills development and employment opportunities, thereby enabling the workforce to diversify their skills and, more importantly, remain relevant to their employers.

Based on the above, the Group will be well-positioned when the Singapore government launches new SkillFuture and Productivity initiatives in the future.

## OUTLOOK FOR FY2019

We expect a slower pace of growth ahead for regional economies due to the ongoing US-China trade dispute, economic slowdown in China and uncertainty over Brexit. While they pose potential risks to the growth of the Singapore economy,

positive industry trends have also emerged. The Singapore Ministry of Trade and Industry expects the construction sector to enjoy a turnaround “after 3 consecutive years of contraction” and construction demand in 2019 is expected to remain strong due to sustained public sector contracts.

The next 2 years should see contracts being awarded for

**The Group will continue to invest in its people, enhance existing capabilities, as well as seek synergistic alliances.**

municipal waste management. In view of this, Equipment Sales should benefit from these trends. Contributions from Repairs and Servicing as well as Projects are expected to remain relatively stable, while the Training segment is expected to continue being a major profit contributor to the Group.

Whilst we anticipate 2019 to be a challenging year, we are cautiously upbeat about the Group’s prospect. The Group will continue to invest in its people, enhance existing capabilities, as well as seek synergistic alliances.

## APPRECIATION

We are deeply saddened by the passing of our Executive Chairman, Mr Jimmy Lew in August 2018. Jimmy was the strategic thinker and had dedicated most of his working life to build Wong Fong. On behalf of the Board and our colleagues, we would like to thank Jimmy for his immeasurable contributions.

Together, we will build upon the legacy we have inherited and will continue to manifest the core values of trust and integrity that Jimmy and Wong Fong’s founding generation had espoused.

In addition, the Board would like to thank Mr Tan Soon Liang and Mr David Lee Yong Soon, both of whom have decided to retire, for their invaluable contributions as Directors of the Board.

Last but not least, we would like to thank all our shareholders for their continued confidence, our business partners who have given us their unwavering support and all our employees for their hard work and dedication over the years.

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

Yours sincerely



**Pao Kiew Tee**  
Independent Chairman



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



# OPERATIONS AND FINANCIAL REVIEW

## REVIEW OF INCOME STATEMENT

	FY2018	FY2017	Change
	S\$'000	S\$'000	%
Revenue	56,455	67,326	(16.1)
Other operating income	1,313	716	83.4
Materials and consumables used and other direct costs, and changes in inventories of finished goods and work-in-progress	(32,490)	(43,791)	(25.8)
Employee benefits expense	(15,201)	(13,673)	11.2
Depreciation and amortisation expense	(2,277)	(1,832)	24.3
Other operating expenses	(4,141)	(3,626)	14.2
Finance costs	(413)	(294)	40.5
Share of loss from associate	(21)	-	NM
<b>Profit before tax</b>	<b>3,225</b>	<b>4,826</b>	<b>(33.2)</b>
<b>Income tax expense</b>	<b>(460)</b>	<b>(582)</b>	<b>(21.0)</b>
<b>Profit for the year</b>	<b>2,765</b>	<b>4,244</b>	<b>(34.8)</b>
<b>Profit attributable to owners of the Company</b>	<b>2,260</b>	<b>4,253</b>	<b>(46.9)</b>

With the expansion of the Group's Training business, the Group had revised its segmental presentation in FY2018 to Engineering and Training segments to be more reflective of the basis upon which resources are allocated. This is also consistent with the Group's intention to group all its training and training-related businesses under 1SG. The Engineering business now comprises Equipment Sales, Repairs and Servicing and Projects segments. Accordingly, comparative figures have been adjusted to conform to FY2018's reporting segments.

In FY2018, the Group's revenue decreased by S\$10.9 million or 16.1% to S\$56.4 million from S\$67.3 million in FY2017. Contribution from the Engineering segment declined by S\$17.2 million or 27.0% to S\$46.4 million

in FY2018 from S\$63.6 million in FY2017 due to a challenging business environment and increased competition from new market entrants.

However, the Training business garnered improved revenue of S\$10.0 million in FY2018, an increase of S\$6.3 million or 169.0% over the S\$3.7 million the Group posted in FY2017. The healthy performance of the Training segment was achieved on the back of an increase in the number of WDA approved programmes secured in FY2018 as well as full year revenue contribution from Ascendo.

During the year, other operating income of the Group increased by S\$0.6 million or 83.4% to S\$1.3 million from S\$0.7 million in FY2017 mainly due to increase

in government grants and fixed deposit income.

Meanwhile, changes in inventories of finished goods and work-in-progress, as well as materials and consumables used and other direct costs, decreased by S\$11.3 million or 25.8% to S\$32.5 million in FY2018 from S\$43.8 million in FY2017. This was mainly due to a decrease in purchases of equipment in line with the decrease in revenue from Equipment Sales.

Consistent in the full year recognition of Ascendo's contribution, the Group's employee benefits expense increased by S\$1.5 million or 11.2% to S\$15.2 million in FY2018 from S\$13.7 million in FY2017. Depreciation and amortisation expense also increased by S\$0.5 million or 24.32% to S\$2.3 million in FY2018 from an increase in amortisation of Ascendo's intangible assets as compared to S\$1.8 million in FY2017.

The Group's other operating expenses increased by S\$0.4 million or 14.2% to S\$4.1 million in FY2018 from S\$3.6 million in FY2017. The increase was mainly due to an increase in rental expense from rental of premises needed for industrial training purposes and an increase in allowance of doubtful debts, partially offset by a decrease in legal and professional fees from the absence of due diligence expenses.

At the same time, due to fair value changes on contingent consideration payable for the acquisition of Ascendo, the Group's finance costs increased by S\$0.1 million or 40.5% to S\$0.4 million in FY2018 from S\$0.3 million in FY2017.

In view of the above, the Group's profit after tax decreased by S\$1.4 million or 34.8% to S\$2.8 million in FY2018 from S\$4.2 million in FY2017.

## REVIEW OF FINANCIAL POSITION

S\$'000	As at 31 Dec 2018	As at 31 Dec 2017 (Restated)
Current assets	49,152	47,380
Non-current assets	25,254	27,016
<b>Total assets</b>	<b>74,406</b>	<b>74,396</b>
Current liabilities	16,725	16,531
Non-current liabilities	6,469	8,333
<b>Total liabilities</b>	<b>23,194</b>	<b>24,864</b>
Share capital	11,351	11,351
Accumulated profits	37,350	35,936
Reserves	753	740
Non-controlling interests	1,758	1,505
<b>Total equity</b>	<b>51,212</b>	<b>49,532</b>

As at 31 December 2018, the value of the total assets of the Group increased marginally by S\$10,000 to S\$74.4 million, while total liabilities of the Group decreased by S\$1.7 million or 6.7% to S\$23.2 million.

Current assets increased by S\$1.8 million or 3.7% to S\$49.2 million as at 31 December 2018 from S\$47.4 million as at 31 December 2017 mainly attributable to an increase in trade and other receivables of S\$4.2

million arising from the acquisition of Ascendo. This was in turn partially offset by a decrease in cash and bank balances of S\$1.6 million and a decrease in inventories of S\$0.8 million due to lesser procurement of equipment corresponding to the decrease in sales.

The Group's non-current assets decreased by S\$1.8 million or 6.5% to S\$25.2 million as at 31 December 2018 from S\$27.0 million as at 31 December 2017. This was mainly from a decrease in intangible assets of S\$0.4 million and a decrease in property, plant and equipment of S\$1.5 million arising from amortisation and depreciation during the period, and partially offset by the increase in investment in an associate of S\$0.1 million.

Meanwhile, current liabilities of the Group increased by S\$0.2 million or 1.2% to S\$16.7 million as at 31 December 2018 from S\$16.5 million as at 31 December 2017. This was largely because of an increase in trade and other payables of S\$0.6 million, partially offset by decreases in income tax payable as well as bank borrowings and finance leases of S\$0.1 million and S\$0.3 million respectively.

As at 31 December 2018, non-current liabilities decreased by S\$1.8 million or 22.4% to S\$6.5 million from S\$8.3 million as at 31 December 2017. This was mainly attributed to repayment of bank borrowings and finance leases of S\$1.0 million and a decrease in other payables of S\$0.9 million arising from the reclassification of a contingent consideration payable for the acquisition of Ascendo from non-current to current.

## REVIEW OF CASH FLOWS

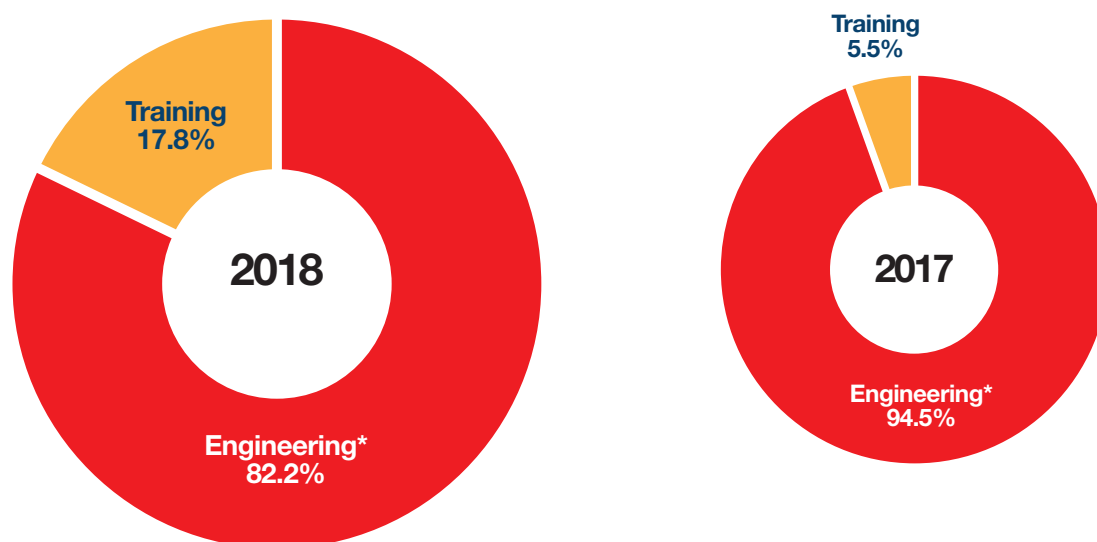
	FY2018	FY2017
	S\$'000	S\$'000
Net cash flows generated from operating activities	2,016	8,994
Net cash flows used in investing activities	(1,125)	(1,879)
Net cash flows used in financing activities	(2,958)	(2,291)
Net (decrease)/increase in cash and cash equivalents	(2,067)	4,824
Cash and cash equivalents at beginning of the year	25,392	20,570
Effect of foreign exchange rate changes	7	(2)
<b>Cash and cash equivalents at end of the year <sup>(1)</sup></b>	<b>23,332</b>	<b>25,392</b>

<sup>(1)</sup> Excludes pledged fixed deposits of S\$0.6 million (FY2017: S\$0.2 million)

# FINANCIAL HIGHLIGHTS

(FINANCIAL YEAR ENDED 31 DECEMBER)

## Revenue Contribution by Business (%)



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

Revenue				
S\$'million	FY2018	FY2017	FY2016	FY2015
	56.5	67.3	70.2	77.6

Net profit attributable to owners of the Company				
S\$'million	FY2018	FY2017	FY2016	FY2015
	2.3	4.3	3.6	5.6

In FY2018, the Group generated operating cash flows before changes in working capital of S\$6.2 million. Net cash used in working capital amounted to S\$3.6 million mainly due to an increase in trade and other receivables of S\$4.6 million, and partially offset by a decrease in inventories of S\$0.7 million and an increase in trade and other payables of S\$0.3 million. As a result of this and an income tax paid of S\$0.6 million, the Group generated net cash from operating activities of S\$2.0 million.

Net cash used in investing activities amounted to S\$1.1 million in FY2018, mainly due to purchase of property, plant and equipment of S\$0.6 million, contingent consideration paid of S\$0.8 million, an investment in an associate of S\$0.1 million, partially offset by proceeds

from disposal of property, plant and equipment of S\$0.3 million and interest income of S\$0.1 million.

Net cash used in financing activities amounted to S\$3.0 million in FY2018, mainly due to payment of dividends of S\$1.1 million, repayment of bank borrowings and finance leases of S\$1.3 million, increase in pledged deposits of S\$0.4 million and interest paid of S\$0.2 million.

Resulting from the above, the Group's cash and cash equivalents decreased by S\$2.1 million to S\$23.3 million in FY2018.

# BOARD OF DIRECTORS



## **PAO KIEW TEE**

Independent Chairman

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

Date of first appointment: 28 June 2016  
Date of re-election: 28 April 2017  
Chairman: Audit Committee  
Member: Nominating Committee and Remuneration Committee

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## **LIEW AH KUIE (JAMES LIEW)**

Co-Founder and Group CEO

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

Date of first appointment: 2 January 2015  
Date of re-election: 28 April 2017

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## **LIEW CHERN YEAN**

Executive Director

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

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

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

# BOARD OF DIRECTORS



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

## **LEW CHERN YONG (ERIC LEW)**

Non-Executive Non-Independent Director

Mr Eric Lew joined the Group in September 2003. He was first appointed as Executive Director of the Group on 2 January 2015 and in March 2019, was re-designated to Non-Executive Non-Independent Director. He is currently the Executive Chairman of Y Ventures Group Ltd, a company listed on the Catalist Board of the SGX-ST. He started his career as an audit senior with KPMG LLP where he was involved in several external audit assignments from July 1997 to April 2000. From July 2000 to June 2002, he was a programme executive at TOUCH Community Services and was responsible for planning and managing social services programmes. He serves on the executive committee of the Waste Management and Recycling Association of Singapore.

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



Date of first appointment: 28 June 2016  
Date of re-election: 28 April 2017  
Chairman: Remuneration Committee  
Member: Audit Committee and Nominating Committee

## **LEE YONG SOON**

Independent Director

Mr Lee Yong Soon 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 is currently an Independent Director of Jawala Inc which is listed on Catalist Board of the SGX-ST.

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.



Date of first appointment: 9 May 2018  
Member: Audit Committee, Nominating Committee and Remuneration Committee

## **WONG CHIT CHONG**

Independent Director

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

# BOARD OF DIRECTORS



## **TAN SOON LIANG**

Independent Director

Mr Tan Soon Liang is currently the managing director of Ti Ventures Pte. Ltd., which invests and provides corporate development and business transformation advisory services to established SMEs since May 2009. In addition, he is a director of Omnibrige Investments Pte. Ltd., Omnibrige Capital Pte. Ltd., and Ti Investment Holdings Pte. Ltd. that focus on angel investments, early growth stage venture capital investments and entrepreneurial finance advisory services. Between 2006 and 2010, he was Head of Business Advisory and later, an Advisor at BDO Raffles Advisory Pte Ltd. He was responsible for corporate advisory work for Asian family businesses and corporations, including business transformation advisory work. Early in his career, he held a variety of positions in various companies in the financial industry. He is also an Independent Director of ISDN Holdings Limited, which is dual-listed on Main Board of the SGX-ST and SEHK and both Clearbridge Health Limited and Choo Chiang Holdings Limited which are listed on the Catalist Board of the SGX-ST. Between June 2009 to July 2014, he also served as a non-executive director of Jubilee Industries Holdings Ltd listed on the Catalist Board of the SGX-ST.

Date of first appointment: 28 June 2016  
Date of re-election: 28 April 2017  
Chairman: Nominating Committee  
Member: Audit Committee and  
Remuneration Committee

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 2001. He is also a CFA® charterholder since September 2000 as well as a member of the Singapore Institute of Directors since June 2011.

## CORPORATE INFORMATION

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

- Pao Kiew Tee (Chairman)
- Lee Yong Soon
- Tan Soon Liang
- Wong Chit Chong

### **NOMINATING COMMITTEE**

- Tan Soon Liang (Chairman)
- Pao Kiew Tee
- Lee Yong Soon
- Wong Chit Chong

### **REMUNERATION COMMITTEE**

- Lee Yong Soon (Chairman)
- Pao Kiew Tee
- Tan Soon Liang
- Wong Chit Chong

### **COMPANY SECRETARY**

Yeoh Kar Choo Sharon, ACIS

### **REGISTERED OFFICE**

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

### **SPONSOR**

United Overseas Bank Limited  
80 Raffles Place, 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**

Wong Fong Industries Limited  
[investors@wongfong.com](mailto:investors@wongfong.com)

# EXECUTIVE OFFICERS



## **JACK WONG**

Group Finance Director

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



## **CHIA KAH LAM**

Operations Director

Mr Chia Kah Lam joined the Group in 1979 and is currently our Operations Director. He started his career in Engineering Works in 1979 as a service fitter where he was responsible for, amongst others, performing welding work, conducting fabrication work, and assisting in assembly work. After Engineering Works' corporatisation, he took on various supervisory and managerial positions before being promoted to the position of Operations Director in 2015. He is primarily responsible for overseeing and managing the operational aspects of the Group's core business. He also works with 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 Siew Choo joined the Group in 2001 and is currently our Director of Supply Chain Management and Information Technology. She is in charge of the Group's supply chain which includes supplier relationship management as well as developing and implementing policies and procedures for the Group's supply chain operations. She also oversees the Group's administrative and information technology functions. From June 1993 to December 1996, she worked as an estate officer with the Housing Development Board. From February 1997 to April 2001, she was a Finance and Administrative Executive with T.C.J. Wong Fong (Far East) Pte Ltd. She graduated from the National University of Singapore with a Bachelor's Degree in Business Administration in 1992.



## **ALBERT LEE**

Sales Director

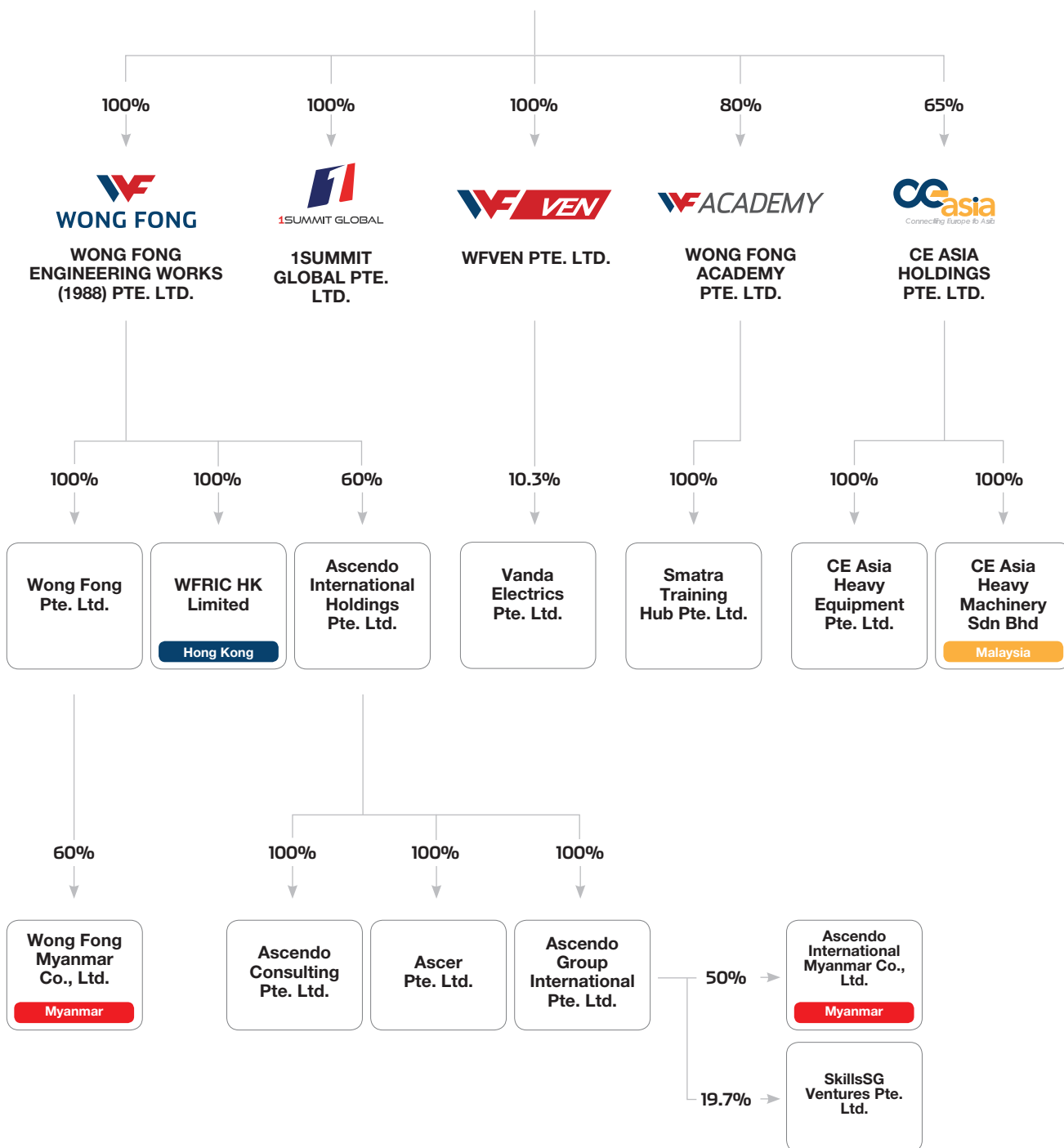
Mr Albert Lee joined the Group in 1988 and is responsible for our sales and marketing activities including the marketing of our latest products, services and capabilities to existing and potential customers. Mr Lee joined the Group as a service and work coordinator in 1988, and subsequently took on various managerial positions, before being promoted to 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 STRUCTURE

(AS AT 29 MARCH 2019)



## WONG FONG INDUSTRIES LIMITED



All companies are incorporated in Singapore unless otherwise stated.

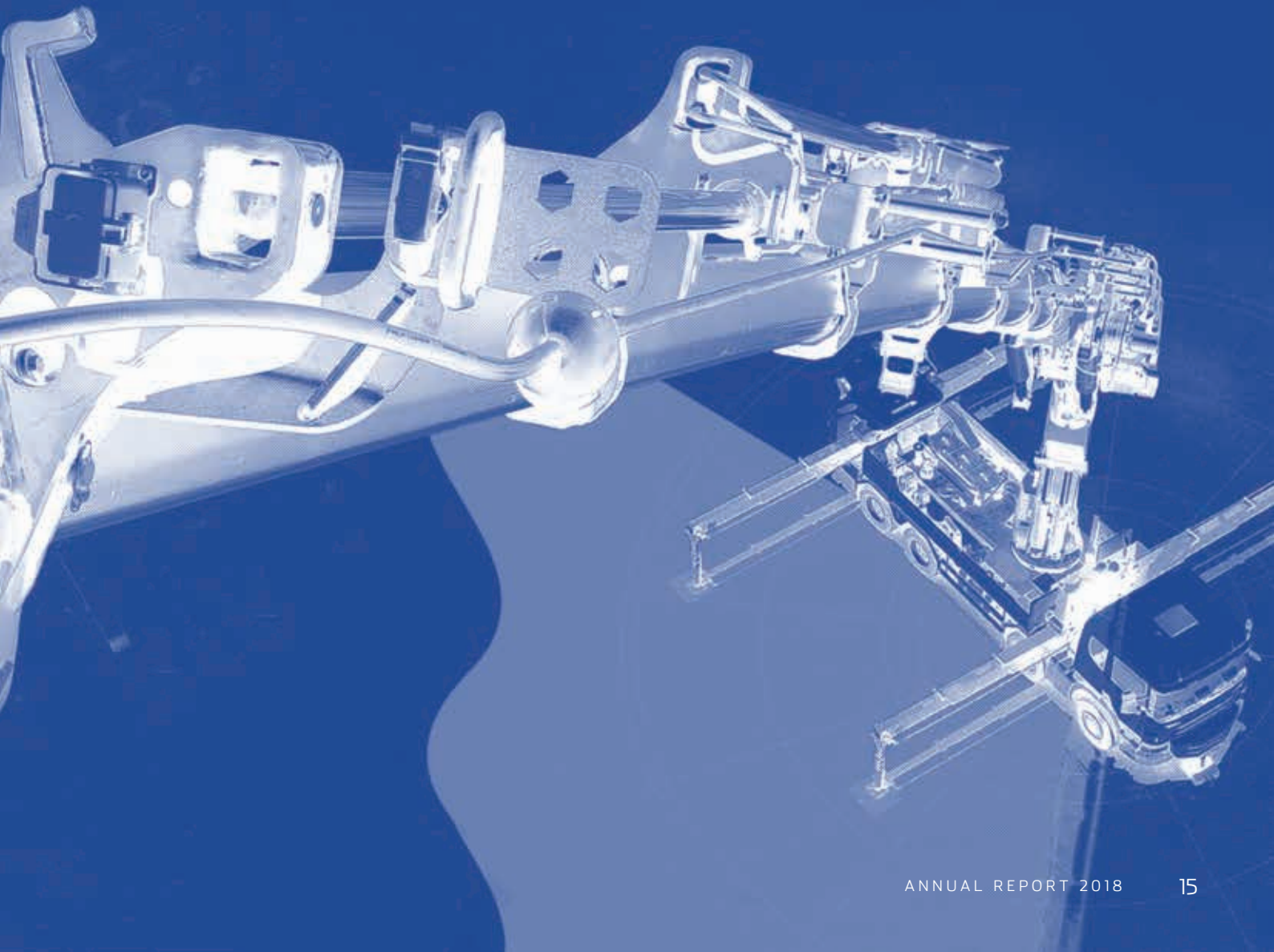
■ Malaysia    
 ■ Myanmar    
 ■ Hong Kong



*SUSTAINABILITY REPORT*

# WONG FONG

The Board and Management of Wong Fong is committed to monitoring and managing material ESG issues as we continue to serve our customers every day.



# SUSTAINABILITY REPORT

## INTRODUCTION

### BOARD STATEMENT

The Board of the Group acknowledges the need to disclose our environmental, social and governance (“ESG”) practices and performances, which is in line with the “Comply or Explain” sustainability reporting framework of the SGX-ST.

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

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

Fong’s performance in key sustainability areas.

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

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

### ABOUT THE REPORT

Wong Fong is pleased to present its 2018 sustainability report prepared in accordance with the Listing Manual Section B: Rules of Catalist of the SGX-ST (“**Catalist Rules**”) and the Global Reporting Initiative (“**GRI**”) Standards - Core option. We have chosen to report using the GRI Standards because it is an internationally recognised reporting framework that

covers a comprehensive range of sustainability disclosures. Moreover, the structured framework promotes reporting a full and balanced picture of the Group’s material matters and the management of its impact.

We believe that a sustainable business strategy is integral to the growth and progress of the Group. With this in mind, we embarked on our plan to align our process strategy with environmental-social objectives to build a sustainable business for our future generations.

To be published yearly in our annual report, our sustainability report will report on the Group’s performance and strategy on material issues in relation to ESG sustainability that are relevant to our stakeholders.

We have not sought external assurance for this sustainability report.



# SUSTAINABILITY REPORT

## SUSTAINABILITY VISION

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



## OUR APPROACH ON REPORTING FRAMEWORK

To better integrate sustainability across Wong Fong, our approach to materiality has evolved to be in line with the GRI framework as it is a common language for sustainability reporting and multi-stakeholder consensus. We seek to engage our stakeholders (who include shareholders, employees, suppliers, customers and the management) using all available communication channels and platforms. Most of the data collected are from our main engineering subsidiary, WFE which accounted for approximately more than 70% of our revenue. We will extend data collection to our other subsidiaries in Malaysia and Myanmar in the near future.

Further information on our ESG which are part of sustainability, can be found on pages 20 to 31. This sustainability report covers the financial year from 1 January 2018 to 31 December 2018.

## SENIOR MANAGEMENT ENGAGEMENT

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

Wong Fong  
Board of  
Directors

Sustainability  
Steering  
Committee

Sustainability  
Working  
Committee

Finance Manager, Operations Director, Sales Director and Supply Chain Director.

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

## IDENTIFY POTENTIAL ISSUES

Wong Fong compiled a list of 19 potentially relevant issues from various sources such as ongoing engagement with stakeholders, internal policies and management reports, and GRI Standards.

## PRIORITISE ISSUES

We shortlisted 5 key focus groups which are mainly suppliers, customers, employees, shareholders and management team.

We conducted a questionnaire to rate the importance of each relevant issue from stakeholder using a scale of 1 to 5 (1 = not relevant, 5 = extremely important).

We developed the materiality matrix based on the scores from the questionnaire.

## VALIDATE AT SENIOR MANAGEMENT LEVEL

Wong Fong's senior management team will review on an annual basis the materiality matrix to ensure it reflects the vision of the Group.

## REVIEW REGULARLY

Wong Fong's senior management team reviewed the materiality matrix.

The threshold for materiality was set with a score of 5 rated as extremely important.

As a result, 9 of the 19 issues, with an overall score of 4.5 or above from a stakeholder perspective, were prioritised as the most important sustainability issues for Wong Fong to address and report on.

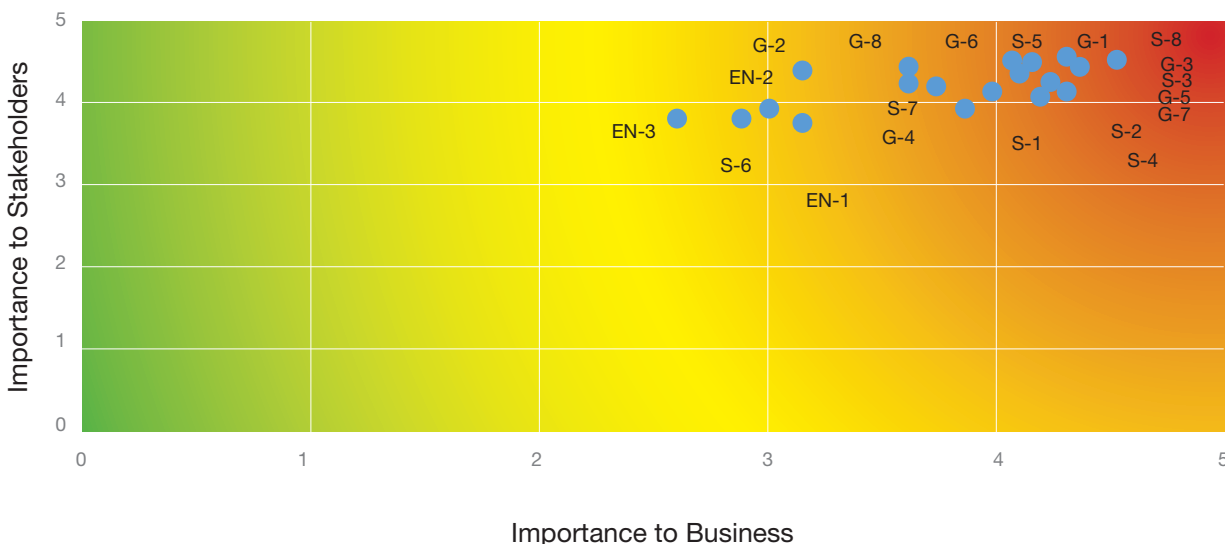
# SUSTAINABILITY REPORT

## MATERIALITY MATRIX – IDENTIFICATION OF MATERIAL TOPICS



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

### MATERIALITY MATRIX



# SUSTAINABILITY REPORT

## LIST OF IMPORTANT SUSTAINABILITY ISSUES

The materiality matrix shows 19 identified issues (as listed below) according to their importance to stakeholders and importance to business. The 9 issues ranked as the most important are in bold and are identified below.

GOVERNANCE	ENVIRONMENT	SOCIAL
<b>G-1 Ethics &amp; Integrity</b>	EN-1 Operational Eco-efficiency	S-1 Employment & Welfare
G-2 Human Rights	EN-2 Waste Generation & Disposal	<b>S-2 Employees &amp; Talent</b>
<b>G-3 Compliance with Regulation</b>	EN-3 Green Construction	<b>S-3 Health &amp; Safety</b>
<b>G-4 Governance &amp; Accountability</b>		S-4 Training & Education
<b>G-5 Risk Management</b>		<b>S-5 Product Safety</b>
G-6 Transparency & Reporting		S-6 Community Investment
<b>G-7 Succession Planning</b>		S-7 Innovation & Technology
G-8 Data Security & Privacy		<b>S-8 Customer Satisfaction of Services and Products Provided</b>

## ACTIVE ENGAGEMENT WITH KEY STAKEHOLDERS

Our stakeholders are important to Wong Fong's long-term success and sustainability. We seek to engage with stakeholders' concerns through multiple Fong's communication platforms. In FY2018, the Management has performed an internal assessment of key stakeholder groups on their concerns and expectations. Here are the list of Wong Fong stakeholders identified by the management internally which comprise government and regulators, shareholders, employees, suppliers and customers.

Stakeholders	Key Topics of Concern	Engagement	Our Response
Government and Regulators	<ul style="list-style-type: none"> <li>Regulatory compliance and feedback</li> </ul>	<ul style="list-style-type: none"> <li>Announcement of material corporate actions</li> <li>SGX semi-annual results announcements</li> <li>Annual reports</li> <li>Sustainability reports</li> </ul>	<ul style="list-style-type: none"> <li>To comply with rules and regulations</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Group's growth</li> <li>Economic performance</li> <li>Investment opportunities</li> <li>Shareholders' return</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meeting</li> <li>Semi-annual results announcements and presentations</li> <li>Annual reports</li> <li>Corporate website</li> <li>Email and phone communication</li> </ul>	<ul style="list-style-type: none"> <li>Increase frontline engagement for growth and returns</li> <li>To engage in an active policy of communication with all shareholders</li> </ul>

# SUSTAINABILITY REPORT

Stakeholders	Key Topics of Concern	Engagement	Our Response
Employees	<ul style="list-style-type: none"> <li>• Human resource issues</li> <li>• Career progression</li> <li>• Team building</li> <li>• Health and safety in the workplace</li> <li>• Job security</li> <li>• Remuneration and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Induction programme</li> <li>• Team bonding session</li> <li>• Staff appraisal</li> <li>• Staff training</li> <li>• News via emails and notices</li> </ul>	<ul style="list-style-type: none"> <li>• Be open and transparent about our human resource policies</li> <li>• All employees undergo performance evaluation and the company rewards long-serving employees</li> <li>• Training to equip staff with the necessary knowledge and skills</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Product safety issues</li> <li>• Timely delivery of goods</li> <li>• Positive relationship management through communication</li> </ul>	<ul style="list-style-type: none"> <li>• Face to face meeting</li> <li>• Email and calls communication</li> <li>• Feedback on product supplied and their quality</li> <li>• Partnering with new suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate and provide feedback regarding their services and products</li> <li>• Ensure that the suppliers' business complies with contract terms</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Service quality</li> <li>• Product quality and safety</li> <li>• Health and safety in workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Calls received via main hotline</li> <li>• Email correspondence</li> <li>• Frontline interaction at the service counters</li> </ul>	<ul style="list-style-type: none"> <li>• Improving customer satisfaction via customer surveys</li> <li>• Regular communication through formal and informal meetings</li> </ul>

## G-1 ETHICS & INTEGRITY

Wong Fong has established a Conflict of Interest Policy and Code of Dealing in Securities. Wong Fong is in the midst of finalising the Code of Conduct and Anti-corruption Policy that sets the principles of conduct and business ethics which applies to all employees of the Group and will also be communicated by Human Resource to all employees once it is finalised. All Directors, key executives and employees are expected to adhere to high standards of integrity which are in compliance with the Group's policies. We aim to assess all of our operations for risks relating to corruption.

A Whistle-Blowing Policy was also established to conform to the guidance set out in the Code of Corporate Governance 2012 which encourages employees to raise concerns, in confidence, about possible irregularities. It also encourages proper work ethics and eradicates any internal improprieties, unethical acts, malpractices and/or fraudulent acts in the Group. Investigations are carried out and appropriate remedial actions taken where required. All recorded cases are reported to the Group's Audit Committee. During 2018, there were no reported cases at Wong Fong.

The Interested Person Transactions ("IPT") Policy was established to ensure that all transactions with an interested party will be at arm's length on normal commercial terms and not prejudicial to the interests of non-controlling shareholders. IPTs will be reviewed by the Audit Committee.

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

# SUSTAINABILITY REPORT

## G-3 COMPLIANCE WITH REGULATION

Wong Fong has identified the main laws and regulations that materially affect our operations and the relevant regulatory bodies in Singapore, Malaysia and Myanmar. The Group has implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis. There was no incidence of non-compliance with regulations in FY2018.

## G-4 GOVERNANCE & ACCOUNTABILITY

Wong Fong maintains a high standard of integrity, accountability and responsible governance and follows the Code of Corporate Governance 2012 and the Catalyst Rules prescribed by the authorities. Wong Fong complies with internal policies and internal audit processes which includes business conduct, insider dealing, risk management and fraud. More details on Corporate Governance can be found in pages 36 to 55 in this annual report.

## G-5 RISK MANAGEMENT

### Business & Strategy Risk

Description of Risks	Managing of Risks
<b>Strategy Risks</b>	
<ul style="list-style-type: none"> <li>The Group is exposed to risks associated with its expansion plans such as mergers and acquisitions and setting up new business units.</li> <li>Accordingly, the Group will not be able to provide assurance that all its future plans will be successful.</li> </ul>	<ul style="list-style-type: none"> <li>All new business collaborations, mergers and acquisitions are reviewed and approved by the Board.</li> <li>Upon the Board's approval, professional 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.</li> </ul>
<b>Competition Risks</b>	
<ul style="list-style-type: none"> <li>Wong Fong operates in a competitive environment and faces competition from new and existing competitors based in Singapore and elsewhere.</li> <li>The principal competitive factors for the industry and the environment that we operate in include product quality, after-sales service, turnaround time, speed of delivery and pricing.</li> <li>Our customers do not commit to definite and long-term purchase contracts for the various products and services we provide thus customers may also decide to make purchases from our competitors.</li> </ul>	<ul style="list-style-type: none"> <li>The Group strives to maintain competitiveness through carrying a wide range of products, maintaining a high level of engineering expertise and design capabilities, value brands and high levels of customer service.</li> <li>Employees are regularly sent for skills upgrading and product knowledge training. Outstanding employees are provided with scholarship and they return to serve the Group thereafter.</li> </ul>

# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
<b>Market &amp; Political Risks</b>	
<ul style="list-style-type: none"> <li>• The Group currently operates in 3 countries and is exposed to inherent risks in doing business overseas such as unexpected changes in legislation, regulatory requirements and government policies.</li> <li>• In addition, the business operations are also dependent on the economic, political, legal and other conditions in these countries.</li> <li>• Highly dependent on the level of activities in the infrastructure development, logistics, waste management and defence industries.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group monitors key economic indicators and keeps itself updated on business affected by policy changes.</li> <li>• Close monitoring of the outlook of related industries in Singapore and overseas.</li> <li>• Diversifying its business outside Singapore and expanding its range of services (e.g. training) would mitigate country and industry risks.</li> </ul>
<b>Regulatory Risks</b>	
<ul style="list-style-type: none"> <li>• Our business is subject to various laws, rules and regulations in the countries that we operate in.</li> <li>• In addition, we require various licenses, permits and approvals to operate our business.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group maintains close working relationships with the relevant statutory bodies, professionals and consultants to keep abreast with any regulatory changes.</li> <li>• All necessary licenses, permits and approvals are obtained and renewed on a timely basis in accordance with applicable rules and regulations.</li> </ul>
<b>Reputation Risks</b>	
<ul style="list-style-type: none"> <li>• The Group may face negative publicity if there is mishandling of transactions or events.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Investor relations contacts are published in our corporate website to further strengthen the communication with stakeholders.</li> <li>• Key issues are surfaced to the management early in order to minimise the potential reputation fallout.</li> </ul>
<b>Business Continuity Risks</b>	
<ul style="list-style-type: none"> <li>• An organisation may face unforeseen incidents or disasters which prevent the continuation of the business operations.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group seeks to mitigate the business continuity risks via country and business diversifications in order to reduce the potential impact from the fallout of any business unit.</li> </ul>



# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
<b>Foreign Labour Risks</b>	
<ul style="list-style-type: none"> <li>• Dependent on foreign labour and may face labour shortages or increased costs of labour for Singapore and overseas operations.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group seeks to innovate and increase the usage of productivity methods and processes via training and equipment upgrading.</li> <li>• The Group intends to increase the recruitment and training of locals wherever possible.</li> </ul>
<b>Intellectual Property (IP) Rights Risk</b>	
<ul style="list-style-type: none"> <li>• Subject to claims for infringement of third parties' intellectual property rights or may not be able to protect intellectual property rights.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group has registered, and has applied to register trademarks and patents in Singapore to ensure protection of IPs rights.</li> </ul>
<b>Financial Risk</b>	
<b>Liquidity Risks</b>	
<ul style="list-style-type: none"> <li>• The Group funds its growth and operations through a combination of shareholders' equity (including accumulated profits), net cash generated from operating activities and bank borrowings.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group monitors its net operating cash flow regularly and maintains a level of cash and cash equivalents that is required to meet its daily working capital needs.</li> <li>• In addition, the Group manages debt financing proactively to ensure financing requirements are met as and when required.</li> <li>• There are existing standing arrangements with the Group's bankers to furnish credit and working capital lines when required.</li> </ul>
<b>Foreign Exchange Risks</b>	
<ul style="list-style-type: none"> <li>• The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the entities within the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group undertakes hedging transactions to minimise foreign exchange rate fluctuations.</li> <li>• The Group also works closely with the bank's treasury department to ensure that forex exposure is minimised. Wherever viable, the Group would adopt similar foreign currency for the buying and selling of the imported product.</li> </ul>

# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
<b>Credit Risks</b>	
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The credit terms to customers are determined on a case-by-case basis depending on, amongst others, their credit and payment histories.</li> <li>• Major issues, if any, are highlighted during monthly sales and management meetings.</li> <li>• Outstanding receivables are monitored and followed up closely by the finance department. Delinquent accounts are flagged up for further actions.</li> </ul>
<b>Interest Rate Risks</b>	
<ul style="list-style-type: none"> <li>• The Group is exposed to interest rate fluctuations from bank borrowings.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group's cash balances are placed with reputable banks.</li> <li>• For bank borrowings, the Group ensures it secures the most favourable interest rates available without increasing its foreign currency exposure.</li> <li>• The Group regularly reviews and, where possible, restructures, its loans to ensure that borrowing costs are minimised.</li> </ul>
<b>Capital Structure Risks</b>	
<ul style="list-style-type: none"> <li>• In managing capital, the Group's objective is to ensure the going concern of the Group and to maintain an optimal capital structure.</li> <li>• The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group pools its cash resources and regularly monitors its debt and equity levels and, by doing so, aims to minimise the Group's cost of capital.</li> <li>• 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.</li> </ul>
<b>Price Risks</b>	
<ul style="list-style-type: none"> <li>• Material costs may fluctuate in accordance with changes in global supply and demand.</li> <li>• A significant rise in the prices of materials may adversely affect the Group's profit margin.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group manages its price risks by fixing its material prices upon contract confirmation and may have a price adjustment arrangement with its supplier and/or clients should there be substantial fluctuations in the prices.</li> </ul>

# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
<p><b>Cost Overruns Risks</b></p>	
<ul style="list-style-type: none"> <li>• Unforeseen additional costs such as price fluctuations, increase in labour costs and/or omission in estimation of internal costing may arise.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Work-in-progress and labour costs are monitored on a regular basis to minimise and contain any potential cost overrun.</li> </ul>
<p><b>Operational Risk</b></p>	
<p><b>Operational Risks</b></p>	
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group strives to minimise unexpected losses and manages losses through standard operating procedures.</li> <li>• The Group has been awarded ISO 9001:2008 and ISO 17020:2012 certification locally.</li> <li>• It has also achieved ISO 14001:2004 certification for its environmental management system to preserve natural resources and minimise wastage.</li> </ul>
<p><b>People Risks</b></p>	
<ul style="list-style-type: none"> <li>• The Group is dependent on key management and skilled personnel for its continual success and growth. The success and growth to-date is largely attributed to the contributions and expertise of the Executive Directors and the Executive Officers, all of whom have extensive experience in the Group’s business and relevant industries.</li> <li>• Resignation and loss of the services of any 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 the Group’s business, results of operations and prospects.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Talented employees are identified and groomed to take on managerial positions early in their career.</li> <li>• Outstanding employees are given fully paid overseas and local scholarships that require service of a bond upon completion.</li> </ul>

# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
<b>Alliance Risks</b>	
<ul style="list-style-type: none"> <li>• Distribution arrangements with major suppliers may be terminated by suppliers upon serving the requisite notice.</li> <li>• No assurance that the Group will be able to renew these arrangements on acceptable terms and that these arrangements may be terminated prematurely or modified to the Group's detriment for whatever reasons.</li> <li>• The loss of the distributorship without suitable replacement may have an adverse impact on the Group's results of operations and financial position.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group maintains cordial working relationships with business partners and agrees with business partners in advance on the duties and obligations of each party.</li> <li>• Other than trading of the products it distributes, the Group also provides after-sales service and maintenance support to its customers, hence adding value to both the suppliers and customers.</li> </ul>
<b>Insurance Risks</b>	
<ul style="list-style-type: none"> <li>• The Group's existing insurance coverage may not be sufficient to indemnify against losses in all events.</li> <li>• The occurrence of certain incidents, including fraud, misconduct committed by employees or third parties, severe weather conditions, earthquakes, fire, war, flooding and power outages may not be covered adequately.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group conducts insurance review with insurance agents on annual basis to ensure adequate and comprehensive insurance coverage.</li> </ul>
<b>Litigation Risks</b>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• All contracts and agreements are reviewed via a 4-eye principle process.</li> <li>• Material contracts and agreements are reviewed and approved by 2 management team members prior to signing.</li> <li>• The management would consult legal professionals should there be a need.</li> <li>• The management would purchase insurance as required by law.</li> </ul>

# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
<b>Delivery Risks</b>	
<ul style="list-style-type: none"> <li>• Dependent on the timely delivery of the load handling systems, waste management systems and other related engineering equipment and products distributed.</li> <li>• Any significant delay or disruption in the delivery of products by suppliers may result in material adverse impact on the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Any significant delivery delay is usually highlighted to the supply chain in advance. Thereafter, the Group would work closely with the clients and suppliers to ensure that any potential business disruptions are minimised. If absolutely necessary, the supplier may decide to utilise airfreight or liaise with other customers globally for an equipment swap or loan.</li> </ul>
<b>Quality Control Risks</b>	
<ul style="list-style-type: none"> <li>• Wong Fong’s projects are subject to stringent international quality codes and standards and certification for quality control.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group ensures that the products sold comply with stringent quality control codes and standards prescribed by international professional bodies and industry institutions.</li> <li>• The Group ensures that the products it sources and their manufacturers’ processes and quality control regime comply with the rigorous international standards and certifications required by customers.</li> </ul>
<b>Health and Safety Risks</b>	
<ul style="list-style-type: none"> <li>• Workplace hazards may cause serious injury or result in a loss of life.</li> <li>• Workplace hazards include moving parts of machinery, working at heights, slippery floors, electric energy, excessive noise, toxic or flammable substances, and lifting heavy objects.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group has set up a Workplace, Safety &amp; Health Committee (“<b>WSHC</b>”) to control and monitor such risks, as well as communicating them to all employees.</li> <li>• The WSHC identifies safety and health hazards associated with work, assesses the level of risks involved, and prioritises measures to mitigate the potential hazards.</li> <li>• The WSHC meets regularly to control and monitor health and safety risks and ensures the risks identified are communicated to employees. Any significant health and safety risks are highlighted to the management.</li> <li>• Employees will be sent for health and safety re-training.</li> </ul>

# SUSTAINABILITY REPORT

Description of Risks	Managing of Risks
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## Compliance Risk

### Compliance Risk

<ul style="list-style-type: none"> <li>Wong Fong is subject to various laws, rules and regulations in the countries it operates in such as the continuing listing obligations of the SGX-ST and the Companies Act.</li> </ul>	<ul style="list-style-type: none"> <li>The Company has implemented effective internal controls and corporate governance frameworks that are reviewed on an annual basis.</li> <li>Whistle-blowing policy and annual declaration by staff on ethics had been implemented.</li> <li>Other than the engagement of statutory auditors, the Group also engaged KPMG and PwC to conduct an annual review of its internal controls and reported their findings to the Audit Committee.</li> </ul>
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## Information Technology Risk

### Information Technology Risk

<ul style="list-style-type: none"> <li>Information Technology (“IT”) risks includes hardware and software failure, spam, viruses and malicious attacks.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>It has adopted the necessary IT controls to alleviate the risk and is arranging for all relevant employees to attend IT Security Awareness Training.</li> </ul>
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## G-7 SUCCESSION PLANNING

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

## S-2 EMPLOYEES & TALENT

Wong Fong recognises that people are our assets and are vital capital to achieving long-term sustainability and growth goals. As such, Wong Fong had

invested a substantial amount of resources to nurture and develop our human capital.

The Committed to your Health (“C2H”) Committee was formed in January 2016 with the belief that healthy employees would lead to a more efficient and productive organisation. In FY2018, the C2H Committee organised many fun-filled activities to engage and encourage a healthy lifestyle among Wong Fong employees. Our employees have benefitted from a range of activities throughout the year, such as:

- Nature Walks
- Lunghi Run 2018
- Yellow Ribbon Prison Run 2018
- Penang Bridge International Marathon 2018
- Regular lunch talks by Health professionals
- Fruits Day, Healthy Snacks Day and Health Bread Day
- Gym room to allow staff to maintain a healthy lifestyle

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.

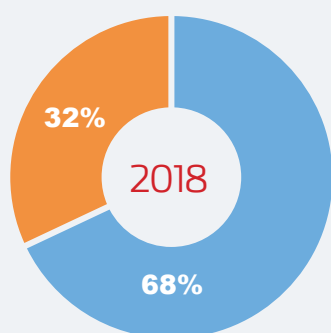
# SUSTAINABILITY REPORT

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

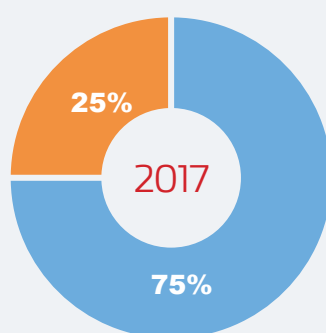
Wong Fong has in place a career development programme. This is to ensure that our employees are able to meet changes and its future needs. All employees in the Group are given priority whenever there is a job vacancy. Employees stand to benefit from this arrangement as it widens their exposure and skill-sets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

## OUR PEOPLE

**356 EMPLOYEES**



**285 EMPLOYEES**



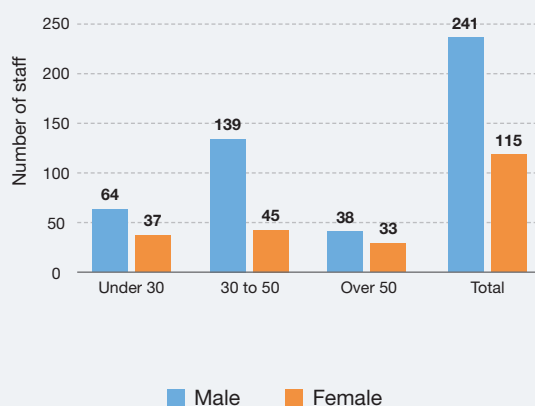
■ Male ■ Female

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

	2017	M	F
83%	Staff	76%	24%
12%	Managerial	69%	31%
5%	Management	87%	13%

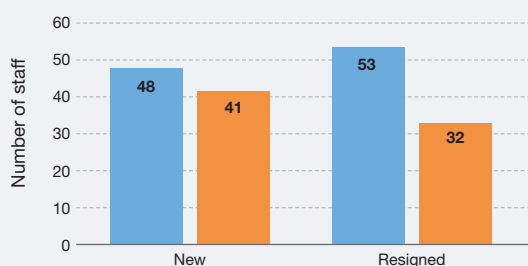
	2018	2017
<b>Total employees</b>	<b>356</b>	285
Full time employees	301	285
Temporary employees	55	NIL
Male employees	241	215
Female employees	115	70

### EMPLOYEES BY GENDER AND AGE GROUP

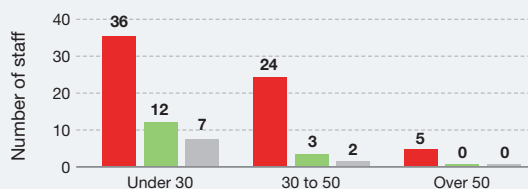


■ Male ■ Female

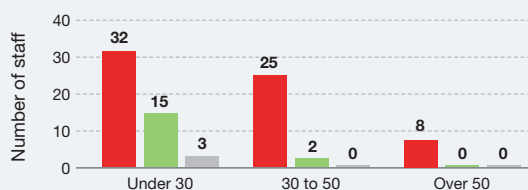
### NEW HIRES AND LEAVERS



#### NEW HIRES



#### LEAVERS



■ Singapore ■ Malaysia ■ Myanmar

# SUSTAINABILITY REPORT

## S-3 HEALTH & SAFETY

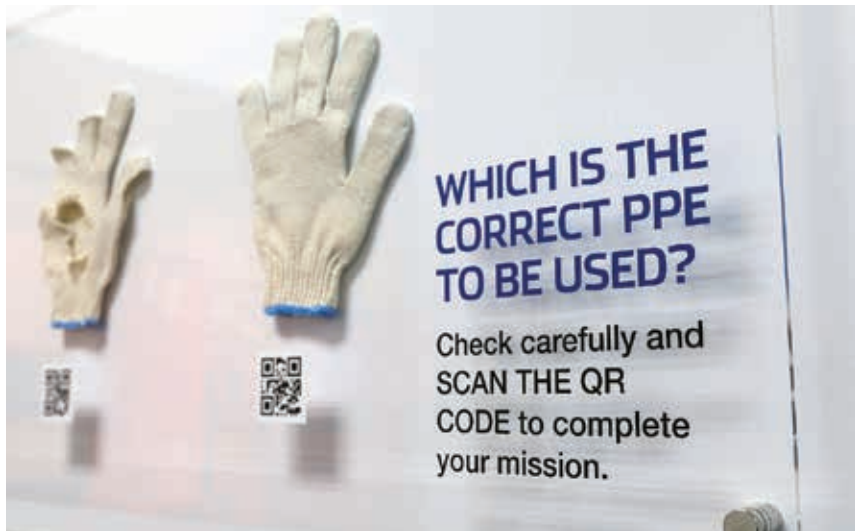
Wong Fong has always placed safety as a top priority and we continuously strive to provide a healthy, safe and functional work environment for our people. Hence, we have established the WSHC headed by a Board member, which actively seeks to adopt and inculcate the highest possible safety and health best practices throughout the workplace.

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

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

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

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



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

In 2018, there were 4 (2017:5) work-related incidents at Wong Fong in Singapore. Our Operations Managers constantly remind our staff to be careful at work. Wong Fong regularly sends its staff for workplace safety and first aid training.

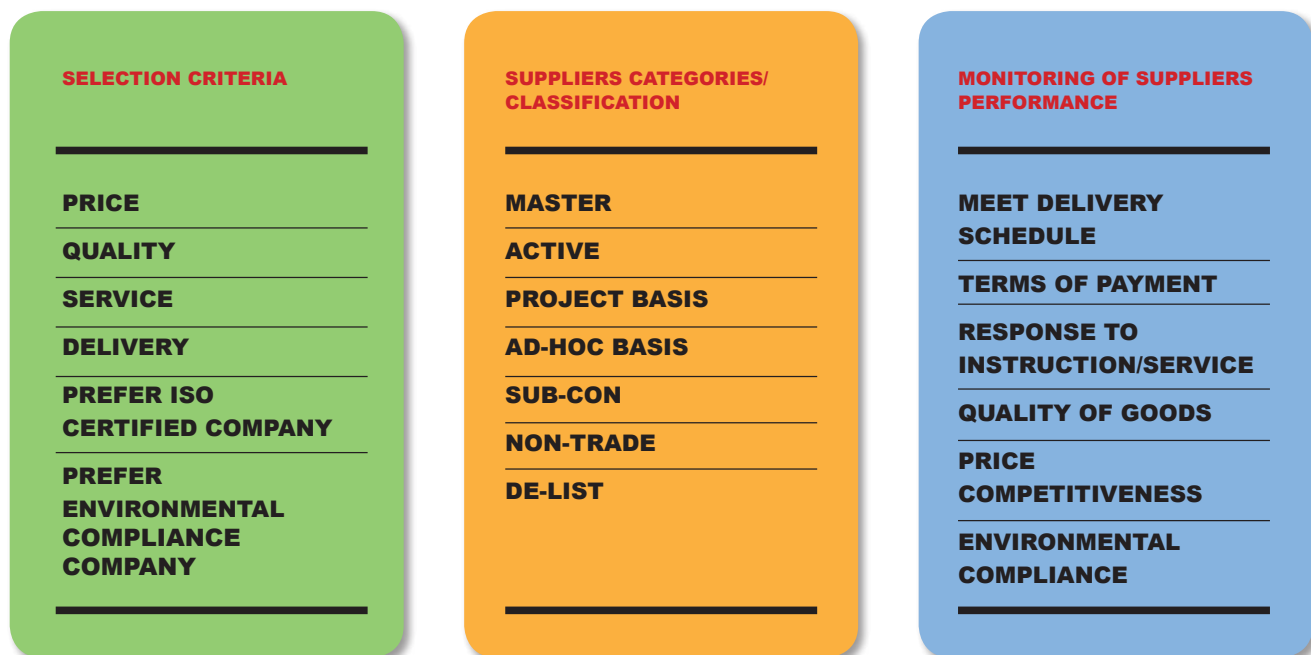
Incident investigation will be established and we will implement a systematic procedure to record, investigate and analyse incidents in order to determine underlying deficiencies and other factors contributing to the occurrence of incidents. Our human resource department tracks and reports on industrial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



# SUSTAINABILITY REPORT

## S-5 PRODUCT SAFETY

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



Wong Fong's products meet all mandatory safety standards so as to ensure all products are not hazardous to the environment and the health and safety of consumers. Wong Fong engages in a process where we understand consumer requirements in order to market quality products that consumers will buy and continue to use over a period of time. All products sold have gone through thorough inspection by third party professional engineers and the Land Transport Authority ("LTA") to ensure lifting equipment and vehicles are properly mounted and safe for the road. There was no incident of non-compliance with regulations in FY2018.

## S-8 CUSTOMER SATISFACTION IN SERVICES AND PRODUCTS PROVIDED

Wong Fong is committed to excellence in customer service. Meeting the needs of our customers is a key aim of our business, and our strategic approach is focused on achieving high quality of customer service and addressing complaints satisfactorily. To underscore our commitment in providing services and products that impart customer satisfaction, we conduct annual customer feedback surveys. All customer feedback are reviewed and monitored to ensure our continual improvement in delivering quality and reliable services and products. In 2018, we received a mix of compliments and negative feedback from our customers. Where we have done well, we strive to be even better, and where we have heard otherwise, we have taken action to investigate and correct the situation.

# SUSTAINABILITY REPORT

## MEMBERSHIP OF ASSOCIATIONS

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

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

## GRI INDEX

GRI Ref.	GRI Indicator	Page Reference	Report Section
GRI 102: General Disclosures			
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name of the organisation	Front Cover	Annual Report Front Cover
102-2	Activities, brands, products and services	Pages 2 to 3	Our Business
102-3	Location of headquarters	Back Cover	Annual Report Back Cover
102-4	Location of operations	Page 14	Corporate Structure
102-5	Ownership and legal form	Page 14	Corporate Structure Shareholding Statistics
102-6	Markets served	Page 9 Pages 7 to 8	Financial Highlights Operations and Financial Review
102-7	Scale of the organisation	Page 9 Pages 7 to 8 Pages 28 to 29	Financial Highlights Operations and Financial Review Sustainability Report: Employees & Talent
102-8	Information on employees and other workers	Page 29	Sustainability Report: Our People
102-9	Supply chain	Page 31	Sustainability Report: Product Safety
102-10	Significant changes to the organisation and its supply chain	NA	There are no significant changes

# SUSTAINABILITY REPORT

GRI Ref.	GRI Indicator	Page Reference	Report Section
102-11	Precautionary principle or approach	Pages 21 to 28 Pages 36 to 55	Sustainability Report: Risk Management Corporate Governance Report
102-12	External initiatives	Pages 36 to 55 Page 29	Corporate Governance Report Sustainability Report: Our People
102-13	Membership of associations	Page 32	Sustainability Report: Membership of Associations
<b>STRATEGY</b>			
102-14	Statement from senior decision-maker	Page 16	Sustainability Report: Board Statement
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, and norms of behaviour	Page 20	Sustainability Report: Ethics & Integrity
<b>GOVERNANCE</b>			
102-18	Governance structure	Page 17	Sustainability Report: Senior Management Engagement
102-20	Executive-level responsibility for economic, environmental, and social topics	Page 16	Sustainability Report: Board Statement
102-21	Consulting stakeholders on economic, environmental, and social topics	Page 16 Pages 19 to 20	Sustainability Report: Board Statement Sustainability Report: Active Engagement with stakeholders
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	Pages 19 to 20	Sustainability Report: Active Engagement with stakeholders
102-41	Collective bargaining agreements	NA	None of Wong Fong Group's employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Pages 19 to 20	Sustainability Report: Active Engagement with stakeholders
102-43	Approach to stakeholder engagement	Pages 19 to 20	Sustainability Report: Active Engagement with stakeholders
102-44	Key topics and concerns raised	Pages 19 to 20	Sustainability Report: Active Engagement with stakeholders

# SUSTAINABILITY REPORT

GRI Ref.	GRI Indicator	Page Reference	Report Section
<b>REPORTING PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	Pages 56 to 129	Annual Report: Financial Statements
102-46	Defining report content and topic boundaries	Page 16	Sustainability Report: About the Report
102-47	List of material topics	Pages 18 to 19	Sustainability Report: Materiality Matrix
102-48	Restatements of information	Page 16	Sustainability Report: About the Report
102-49	Changes in reporting	Page 16	Sustainability Report: About the Report
102-50	Reporting period	Page 17	Sustainability Report: Our Approach on Reporting Framework
102-51	Date of most recent report	NA	11 April 2017
102-52	Reporting cycle	Page 16	Sustainability Report: About the Report
102-53	Contact point for questions regarding the report	Page 12	Annual Report
102-54	Claims of reporting in accordance with the GRI Standards	Page 16	Sustainability Report: About the Report
102-55	GRI content index	Pages 32 to 35	Sustainability Report: GRI Content Index
102-56	External assurance	Page 16	Sustainability Report: About the Report
<b>GRI 103: Management Approach</b>			
103-1	Explanation of material topics and its boundary	Page 16 Pages 18 to 19	Sustainability Report: About the Report Sustainability: Materiality Matrix
103-2	The management approach and its components	Pages 20 to 31	Sustainability Report: <ul style="list-style-type: none"> <li>• Ethics &amp; Integrity</li> <li>• Compliance with Regulation</li> <li>• Governance &amp; Accountability</li> <li>• Risk Management</li> <li>• Succession Planning</li> <li>• Employees &amp; Talent</li> <li>• Health &amp; Safety</li> <li>• Product Safety</li> <li>• Customer Satisfaction of Services and Products Provided</li> </ul>

# SUSTAINABILITY REPORT

GRI Ref.	GRI Indicator	Page Reference	Report Section
103-3	Evaluation of the management approach	Pages 20 to 31	Sustainability Report: <ul style="list-style-type: none"> <li>• Ethics &amp; Integrity</li> <li>• Compliance with Regulation</li> <li>• Governance &amp; Accountability</li> <li>• Risk Management</li> <li>• Succession Planning</li> <li>• Employees &amp; Talent</li> <li>• Health &amp; Safety</li> <li>• Product Safety</li> <li>• Customer Satisfaction of Services and Products Provided</li> </ul>

## TOPIC-SPECIFIC DISCLOSURES

### GRI 201: Economic Performance

201-1	Direct economic value generated and distributed	Page 9	Annual Report
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### GRI 401: Employment

401-1	New employee hires and employee turnover	Page 29	Sustainability Report: Our People
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### GRI 403: Occupational Health and Safety

403-3	Occupational health services	Page 30	Sustainability Report: Health & Safety
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### GRI 405: Diversity and Equal Opportunity

405-1	Diversity of governance bodies and employees	Page 29	Sustainability Report: Our People
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### GRI 416: Customer Health and Safety

416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 31	Sustainability Report: Product Safety
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### GRI 419: Socioeconomic Compliance

419-1	Non-compliance with laws and regulations in the social and economic area	Page 21	Sustainability Report: Compliance with Regulation
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# CORPORATE GOVERNANCE REPORT

The Board of Wong Fong firmly believes that good corporate governance is essential to the long-term sustainability of the Company's businesses, as well as promoting and safeguarding the interest of 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 SGX-ST in the preparation of this report.

The Group has substantially complied 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 of internal controls (including financial, operational, compliance and information technology controls) and risk management systems and to ensure that the processes are adequate and effective;
- reviewing financial plans, major acquisitions and divestments, funding and investment proposals;
- monitoring the performance of the management;
- setting the Company's values and standards (including ethical standards);
- assuming responsibility for corporate governance; and
- considering environmental and social factors.

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

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.

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

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

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

For FY2018, the number of Board and Board Committee meetings held and the attendance of Directors at these meetings, are disclosed as follows:

	<b>Board</b>	<b>Audit Committee</b>	<b>Nominating Committee</b>	<b>Remuneration Committee</b>
Number of meetings held	2	2	2	2
Number of meetings attended:				
Jimmy Lew**	1	1*	1*	1*
James Liew	2	2*	2*	2*
Liew Chern Yean	2	2*	2*	2*
Eric Lew	2	2*	2*	2*
Pao Kiew Tee	2	2	2	2
Lee Yong Soon	2	2	2	2
Tan Soon Liang	2	2	2	2
Wong Chit Chong	2	2	2	2
John Cordova***	1	1	1	1

\* Attendance by invitation of the committee

\*\* Jimmy Lew passed away in August 2018

\*\*\* Retired as a Director on 27 April 2018 after the conclusion of the AGM

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

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

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

# CORPORATE GOVERNANCE REPORT

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 familiarise the new Director with his roles and responsibilities as well as the business of the Group. Such orientation programmes include the Mandatory Training as prescribed by the Catalist Rules for first-time Director who has no prior experience as a director of a company listed on the SGX-ST, site visits to the main operating premises of the Group and meetings with key management personnel.

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.***

For FY2018, the Board comprises:

James Liew (Acting Chairman and Managing Director)  
Liew Chern Yean (Executive Director)  
Eric Lew<sup>(1)</sup> (Non-Executive Non-Independent Director)  
Pao Kiew Tee (Lead Independent Director)  
Lee Yong Soon (Independent Director)  
Tan Soon Liang (Independent Director)  
Wong Chit Chong<sup>(2)</sup> (Independent Director)  
Artawat Udompholkul<sup>(3)</sup> (Independent Director)

**Notes:**

- (1) Re-designated from Executive Director to Non-Executive Non-Independent Director in March 2019.
- (2) Appointed to the Board in May 2018.
- (3) Retired from the Board in April 2018.

As announced on 29 March 2019, following the AGM to be held on 29 April 2019, the Board would comprise:

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

Mr Lee Yong Soon and Mr Tan Soon Liang will be retiring and not seeking re-election at the forthcoming AGM.

For FY2018, as the Chairman 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.



# CORPORATE GOVERNANCE REPORT

The NC has assessed the independence of the Independent Directors and noted that none of them has any relationships with the other Directors, the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. None of the Independent Directors is a director of the Company's subsidiaries.

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

Having considered the scope and nature of the operations of the Company as well as the requirements of the business, the Board believes that for FY2018, the composition and size of the Board and the Board Committees is appropriate to ensure the effectiveness of the decision-making process.

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

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

The Independent Directors also actively participate in setting strategies and goals for the Company and regularly review the performance of the management in meeting agreed goals and objectives and monitor the reporting of performance. In addition, the 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.***

For FY2018, Mr Jimmy Lew was the Executive Chairman (until his demise in August 2018) and Mr James Liew was the Deputy Chairman and Managing Director of the Company. Mr James Liew assumed the role of Acting Chairman and Managing Director of the Company in August 2018.

As the late Executive Chairman and the Deputy Chairman and Managing Director are immediate family members, the Board has appointed Mr Pao Kiew Tee as the Lead Independent Director. Mr Pao Kiew Tee 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.

For FY2018, 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.

# CORPORATE GOVERNANCE REPORT

The Independent Directors led by the Lead Independent Director, meet periodically without the presence of the Executive Directors, and the Lead Independent Director provides feedback to the 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.***

For FY2018, the NC comprises the following Independent Directors:

Tan Soon Liang (Chairman)  
Pao Kiew Tee  
Lee Yong Soon  
Wong Chit Chong

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.

As announced on 29 March 2019, following the AGM to be held on 29 April 2019, the NC would comprise:

Wong Chit Chong (Chairman)  
Pao Kiew Tee  
Eric Lew

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

- reviewing and recommending the appointment of new Directors and key management personnel and re-nomination of the Directors having regard to their contribution, performance and ability to commit sufficient time, resources and attention to the affairs of the Group, and each Director's respective commitments outside the Group including his principal occupation and board representations on other companies, if any. The NC will conduct such reviews at least once a year, or more frequently as it deems fit;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a director 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.

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.

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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 Wong Chit Chong who will be retiring as Director at the forthcoming AGM under Regulation 114 of the Constitution. Mr Wong Chit Chong has offered himself for re-election and the Board has accepted the recommendations of the NC. Mr Lee Yong Soon and Mr Tan Soon Liang have decided to retire after the conclusion of the AGM.

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

The Directors have demonstrated that they are able to devote sufficient time and attention to the matters of the Group with their attendance at all the Board and Board Committee meetings. They have also availed themselves to the management as and when required. The NC, having considered the multiple board seats held by some of the Directors, their principal commitments, their attendance at the Board and Board Committee meetings, is satisfied that these 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 FY2018.

# CORPORATE GOVERNANCE REPORT

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

Key Information	Name of Director to be re-elected
	Wong Chit Chong
Designation	Independent Director, AC Member, RC Member and NC Member
Date of initial appointment	9 May 2018
Date of last re-appointment	N.A
Age	68
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The nomination of Mr Wong Chit Chong ("Mr Wong") as an Independent Director was duly reviewed by the NC and the Board. During the nomination process, the NC has taken into account Mr Wong's qualifications and work experience. The Board, with the recommendations of the NC, is of the view that Mr Wong's appointment as a director of the Company will enhance the core competencies of the Board and will be beneficial to the Board and the Company.
Whether appointment is executive. and if so, the area of responsibility	Non-executive
Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interests (including any competing business)	Nil
Working experience and occupation(s) during the past 10 years	Director/ General Manager of Triangle Auto Pte. Ltd. (From June 1991 to December 2017)
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes
Academic qualifications	Master in Business Administration
Professional memberships/qualifications	A member of Society Automotive Engineers
Principal commitments	Director of John Mead Dance Company Ltd
Shareholding interest in the Company and its subsidiaries	N.A

# CORPORATE GOVERNANCE REPORT

Prior Experience as a Director of a Listed Company on the Exchange	
Any prior experience as a director of an issuer listed on the Exchange?	No
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	Mr Wong has attended the relevant training.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A

There are no changes to the disclosure required under items (a) to (k) to Appendix 7F of the Catalyst Rules as announced on 9 May 2018.

Key information regarding the Directors such as their date of first appointment, date of last re-appointment and directorships held presently and in the past 3 preceding years in other listed companies are set out on pages 10 to 12 in the 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 FY2018, the NC did not engage 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 directly for collation and the consolidated responses were presented to the NC for review and discussion. The NC will then report to the Board on the review of the Board's performance for the year. The Board Evaluation Form takes into consideration factors such as Board size and composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/senior management and standard code of conduct of the Board members. For FY2018, 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 and the Board had met its performance objectives.

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

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

# CORPORATE GOVERNANCE REPORT

***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 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.***

For FY2018, the RC comprises the following Independent Directors:

Lee Yong Soon (Chairman)  
Pao Kiew Tee  
Tan Soon Liang  
Wong Chit Chong

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

As announced on 29 March 2019, following the AGM to be held on 29 April 2019, the RC would comprise:

Wong Chit Chong (Chairman)  
Pao Kiew Tee  
Eric Lew

# CORPORATE GOVERNANCE REPORT

The RC is guided by its written terms of reference, which clearly spells out its authority and duties. The key terms of reference of the RC includes recommending to the Board a framework of remuneration for the Directors and key management personnel, and determining specific remuneration packages for the Executive Directors and key management personnel. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by the RC. The RC reviews the Company's obligation arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. 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 FY2018, 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 personnel. The Company's remuneration structure for the Executive Directors and key management personnel comprises both fixed and variable components so as to motivate high-performing executives to drive the Group's efficiency and profitability. The variable component for the key management personnel is a discretionary bonus which is linked to the performance of the Group as a whole and their individual performance.

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

For FY2018, 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 FY2018 is set out below:

	Directors' fees <sup>(1)</sup>	Salary <sup>(2)</sup>	Bonus	Other benefits	Total remuneration
<b>Above S\$250,000 and up to S\$500,000</b>					
Jimmy Lew	–	64%	–	36%	100%
James Liew	–	83%	12%	5%	100%
<b>S\$250,000 and below</b>					
Liew Chern Yean	–	83%	10%	7%	100%
Eric Lew	–	85%	10%	5%	100%
Pao Kiew Tee	100%	–	–	–	100%
Lee Yong Soon	100%	–	–	–	100%
Tan Soon Liang	100%	–	–	–	100%
Wong Chit Chong <sup>(3)</sup>	100%	–	–	–	100%



# CORPORATE GOVERNANCE REPORT

## Notes:

- (1) The Directors' fees are subject to Shareholders' approval at the AGM.
- (2) The salary amount is inclusive of CPF contributions and allowance.
- (3) Appointed in May 2018.

No compensation was paid or is to be paid in the form of share awards to the Directors in FY2018. There were no termination, retirement or post-employment benefits granted to the Directors in FY2018.

## 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 FY2018 is set out below:

	Salary <sup>(1)</sup>	Bonus	Other benefits	Total remuneration
<b>S\$250,000 and below</b>				
Jack Wong	80%	14%	6%	100%
Chia Kah Lam	74%	22%	4%	100%
Lew Siew Choo	84%	14%	2%	100%
Albert Lee	85%	12%	3%	100%

## Note:

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

No compensation was paid or is to be paid in the form of share awards to the key management personnel of the Group in FY2018. There were no termination, retirement or post-employment benefits granted to the key management personnel of the Group in FY2018.

The aggregate remuneration paid to the key management personnel of the Group in FY2018 was approximately S\$609,000.

## 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 FY2018 is set out below:

	Remuneration for FY2018
Jean Liew <sup>(1)</sup>	Between S\$100,001 and S\$150,000
Liu Shanni <sup>(2)</sup>	Between S\$100,001 and S\$150,000
Liu Weilong <sup>(2)</sup>	Between S\$50,001 and S\$100,000
Ng Chin Yee <sup>(3)</sup>	Between S\$50,001 and S\$100,000

## Notes:

- (1) Ms Jean Liew is the sister of Mr James Liew, Co-Founder and Group Chief Executive Officer.
- (2) Mr Liu Shanni and Mr Liu Weilong is the son of Mr James Liew, Co-Founder and Group Chief Executive Officer.
- (3) Mr Ng Chin Yee is the father-in-law of Mr Eric Lew, Non-Executive Non-Independent 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 FY2018.

# CORPORATE GOVERNANCE REPORT

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

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

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

***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 (International). 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 takes 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 internal controls and risk management systems to safeguard Shareholders' interest and the Group's assets. The Board is cognizant that no cost-effective internal controls and risk management systems will preclude all errors and irregularities. The internal controls and risk management systems are designed to manage identifiable risks and limit the Group's exposure to risk of errors and irregularities and can only provide reasonable mitigation and not absolute assurance against material misstatement or loss.

# CORPORATE GOVERNANCE REPORT

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

Based on the internal control policies and procedures established and maintained by the Group, work performed by the External Auditors and the Internal Auditors and reviews performed by the AC and the management, the Board confirms that for FY2018, the internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective. The AC concurs with the Board’s comments.

For FY2018, the Board and the AC have also received assurances from the Acting 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 internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective.

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

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

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

For FY2018, the AC comprises the following Independent Directors:

Pao Kiew Tee (Chairman)  
Lee Yong Soon  
Tan Soon Liang  
Wong Chit Chong

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

As announced on 29 March 2019, following the AGM to be held on 29 April 2019, the AC would comprise:

Pao Kiew Tee (Chairman)  
Wong Chit Chong  
Eric Lew

Mr Pao Kiew Tee was formerly a senior government auditor holding the position of senior group director prior to his retirement in June 2016. Mr Pao Kiew Tee is a fellow of the Institute of Singapore Chartered Accountants. Mr Eric Lew holds a degree in accountancy from the Nanyang Technological University.

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.

# CORPORATE GOVERNANCE REPORT

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 and discussing with the management and the External Auditors on the key audit matters. The key audit matters reported in FY2018 are mainly the valuation of inventories and recoverability of trade receivables, which is included in the Independent Auditor's Report for 2018. The AC reviewed the outcomes and discussed the details of the review with the management and considered on the findings including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied. The AC was satisfied with the review process, the approach and methodology applied in the assessment of both valuation of inventories and recoverability of trade receivables. The AC also concluded that the Group's accounting treatment in the valuation of inventories and recoverability of trade receivables was appropriate.
- reviewing the periodic consolidated financial statements of the Group and results announcements focusing on, in particular, changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Catalist Rules and any other relevant statutory or regulatory requirements, concerns and issues arising from audits including any matters which the External Auditors may wish to discuss in the absence of the management, where necessary, before submission to the Board for approval;
- reviewing and reporting to the Board, at least annually, the effectiveness and adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems and discuss issues and concerns, if any, arising from the internal audits;
- reviewing the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET; and
- reviewing the 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 other auditors of the Group for audit and non-audit services for FY2018 is as follows:

	<b>S\$'000</b>	<b>% of total fees</b>
Audit services	170	88
Non-audit services (mainly as tax consultants)	23	12
Total fees	193	100

# CORPORATE GOVERNANCE REPORT

Please refer to page 121 of the 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 External Auditors are registered with the Accounting and Corporate Regulatory Authority of Singapore.

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

The policy aims to ensure that appropriate reporting and communication channels are available for employees and external parties to raise concerns about possible improprieties and also offer reassurance that they will be protected from reprisals or harassment for whistle-blowing in good faith. There were no reported incidents pertaining to whistle-blowing for FY2018.

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 systems and approves the hiring, removal, evaluation and compensation of the internal auditors. The AC also reviews the adequacy and effectiveness of the internal audit function at least annually. The Company has outsourced its internal audit function to KPMG Services Pte. Ltd ("**KPMG**") for its Singapore operations and PricewaterhouseCoopers Risk Services Sdn Bhd ("**PwC**") for its Malaysia operations.

The Company's internal audit function is independent of the external audit. KPMG is a member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The Group's engagement with KPMG stipulates that its work shall comply with the KPMG's global internal auditing standards and the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA Standards). The Internal Audit continues to meet or exceed the IIA Standards in all key aspects. KPMG has confirmed their independence to the AC. In view of the above, the AC is satisfied that KPMG is able to discharge its duties effectively.

PwC, is a member of the Institute of Internal Auditors Malaysia and staffed with well-trained generalist internal auditors. PwC has a proven track record and in-depth knowledge in internal audit outsourcing and co-sourcing engagements that provides sound guidance on controls and good practices. The internal audit carried out by PwC is comply with International Professional Practices Framework (IPPF) issued by Institutes of Internal Auditors Malaysia. PwC has also confirmed their independence to the AC. In view of the above, the AC is satisfied that PwC is able to discharge its duties effectively.

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

# CORPORATE GOVERNANCE REPORT

Both KPMG and PwC report their findings to the AC and the Board. The management is responsible for ensuring that appropriate measures are implemented to address the internal controls weaknesses highlighted by both KPMG and PwC.

Based on the scope of work performed by both KPMG and PwC for FY2018, all material weaknesses identified have been addressed.

***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 including press releases are disclosed via SGXNET.

All Shareholders are informed of general meetings through notices contained in annual reports or circulars sent to them. Shareholders will be given the opportunity to participate effectively in and vote at the general meetings. The voting procedures are clearly explained to Shareholders at the general meetings of the Company before the resolutions are put to vote.

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

***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](http://www.wongfongindustries.com).

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

General meetings are the principal forum for dialogue with Shareholders and Shareholders are encouraged to participate in such meetings. During these meetings, Shareholders are able to engage with the Board and the management in discussions on the Group's business activities, financial performance and other business-related matters. As and when necessary, the Executive Directors and the 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.

# CORPORATE GOVERNANCE REPORT

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

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 and a special dividend of 0.38 and 0.13 Singapore cents per ordinary share respectively in respect of FY2018 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 meetings to stay informed of the Group's strategies and developments.

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

The Chairman and the chairpersons of the AC, the NC and the RC will be available at all general meetings to address Shareholders' queries. The External Auditors will also be present to assist the Directors in addressing Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

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, the Directors and the officers of the Group are prohibited from dealing in the Company's securities during the period commencing 1 month before the announcement of its half year and full year financial results.

# CORPORATE GOVERNANCE REPORT

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 in FY2018.

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 non-controlling 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 FY2018 or, if not then subsisting, entered into since the end of FY2017.

## **NON-SPONSOR FEES**

There were no non-sponsor fees paid to the Company's sponsor, United Overseas Bank Limited, in FY2018.



# CORPORATE GOVERNANCE REPORT

## 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 fully utilised as follows:

<b>Purpose</b>	<b>Allocation of Net Proceeds (as disclosed in the offer document) S\$'000</b>	<b>Net Proceeds utilised as at the date of this annual report S\$'000</b>	<b>Balance of Net Proceeds as at the date of this annual report S\$'000</b>
Expansion and diversification of our operations and product offerings through, <i>inter alia</i> , 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 <sup>(1)</sup>	2,800	(2,800)	–
	<b>8,300</b>	<b>(8,300)</b>	<b>–</b>

**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, 2018.

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 64 to 129 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, 2018, and the financial performance, changes in equity and cash flows of Group and the changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## **1 DIRECTORS**

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

Liew Ah Kuie

Lew Chern Yong (Liu Zhengrong)

Liew Chern Yean

Pao Kiew Tee

Lee Yong Soon

Tan Soon Liang

Wong Chit Chong

(Appointed on May 9, 2018)

## **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.

# DIRECTORS' STATEMENT

## 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		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Ultimate holding company <u>Wong Fong Investments Pte. Ltd.</u> (Ordinary shares)				
Liew Ah Kuie	450,000	450,000	–	–
Lew Chern Yong (Liu Zhengrong)	–	–	650,000	650,000
Liew Chern Yean	–	–	650,000	650,000
The Company <u>Wong Fong Industries Limited</u> (Ordinary shares)				
Liew Ah Kuie	–	–	158,280,000	158,280,000
Lew Chern Yong (Liu Zhengrong)	–	–	158,280,000	158,280,000
Liew Chern Yean	–	–	158,280,000	158,280,000

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, 2019.

## 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 Wong Chit Chong.
- (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.

# DIRECTORS' STATEMENT

## 4 SHARE OPTIONS AND SHARE-BASED INCENTIVE (CONTINUED)

- (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 Wong Chit Chong. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) The audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, management letters on internal controls and management response;
- (b) The Group's financial and operating results and accounting policies;
- (c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;
- (d) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) The interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;
- (f) The co-operation and assistance given by the management to the Group's external and internal auditors; and
- (g) The re-appointment of the external auditors of the Group.

# DIRECTORS' STATEMENT

## 5 AUDIT COMMITTEE (CONTINUED)

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 key management personnel to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

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

## 6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....  
Liew Ah Kuie

.....  
Liew Chern Yean

March 29, 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WONG FONG INDUSTRIES LIMITED

## 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, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 129 to confirm again when there is a final version.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

#### Allowance for inventories

The Group holds significant inventories carried at the lower of cost and net realisable value. These inventories account for 21% of the Group's current assets and comprises mainly cranes and other truck-mounted equipment. The determination of the net realisable value of inventories is dependent upon management's assessment of inventory obsolescence.

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WONG FONG INDUSTRIES LIMITED

## 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.

## **Impairment of trade receivables**

As at December 31, 2018, the Group has trade receivables of \$13.9 million, representing 28% of the Group's current assets. The Group determines the expected credit loss ("ECL") of trade receivables by using a provision matrix that is based on its historical credit loss experience, debtors' ability to pay and any relevant forward-looking information that may be specific to the debtors and economic environment. This assessment requires significant assumptions and estimates. Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.

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

## Our audit performed and responses thereon

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

We assessed the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates and reviewed data and information used by management in the ECL model.

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WONG FONG INDUSTRIES LIMITED

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

## **Responsibilities of Management and Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WONG FONG INDUSTRIES LIMITED

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

March 29, 2019

# STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018

	Note	Group			Company		
		December 31, 2018 \$	December 31, 2017 \$ (Restated)	January 1, 2017 \$	December 31, 2018 \$	December 31, 2017 \$	January 1, 2017 \$
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and bank balances	6	23,957,728	25,592,172	20,769,639	15,309,830	14,864,111	13,775,057
Trade and other receivables	7	14,962,117	10,773,714	10,141,853	58,488	132,950	131,265
Derivative financial instruments	8	–	405	3,224	–	–	–
Inventories	9	10,232,048	11,013,453	13,347,017	–	–	–
<b>Total current assets</b>		<b>49,151,893</b>	<b>47,379,744</b>	<b>44,261,733</b>	<b>15,368,318</b>	<b>14,997,061</b>	<b>13,906,322</b>
<b>Non-current assets</b>							
Property, plant and equipment	10	19,703,127	21,165,697	22,217,040	–	–	–
Intangible assets	11	5,432,616	5,849,944	5,415	–	–	–
Investment in subsidiaries	12	–	–	–	3,563,940	3,563,938	2,475,581
Investment in associate	13(a)	118,509	–	–	–	–	–
Investment in joint venture	13(b)	–	–	–	–	–	–
Financial asset at fair value through profit or loss	13(c)	–	–	–	–	–	–
<b>Total non-current assets</b>		<b>25,254,252</b>	<b>27,015,641</b>	<b>22,222,455</b>	<b>3,563,940</b>	<b>3,563,938</b>	<b>2,475,581</b>
<b>Total assets</b>		<b>74,406,145</b>	<b>74,395,385</b>	<b>66,484,188</b>	<b>18,932,258</b>	<b>18,560,999</b>	<b>16,381,903</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	14	15,316,616	14,724,968	14,154,574	371,090	257,935	273,569
Finance leases	15	114,252	211,136	328,401	–	–	–
Bank borrowings	16	827,529	982,081	1,093,243	–	–	–
Derivative financial instruments	8	1,341	914	989	–	–	–
Income tax payable		464,957	611,630	518,774	–	–	–
<b>Total current liabilities</b>		<b>16,724,695</b>	<b>16,530,729</b>	<b>16,095,981</b>	<b>371,090</b>	<b>257,935</b>	<b>273,569</b>
<b>Non-current liabilities</b>							
Other payables	14	140,852	1,065,902	30,932	–	–	–
Deferred tax liabilities	17	1,768,314	1,725,740	429,000	–	–	–
Finance leases	15	111,394	267,407	435,356	–	–	–
Bank borrowings	16	4,448,721	5,273,694	6,168,040	–	–	–
<b>Total non-current liabilities</b>		<b>6,469,281</b>	<b>8,332,743</b>	<b>7,063,328</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>CAPITAL AND RESERVES</b>							
Share capital	18	11,350,674	11,350,674	11,350,674	11,350,674	11,350,674	11,350,674
Accumulated profits		37,350,640	35,936,259	32,387,792	6,622,137	6,364,033	4,757,660
Reserves	19	752,836	739,626	352,448	588,357	588,357	–
Equity attributable to owners of the Company		49,454,150	48,026,559	44,090,914	18,561,168	18,303,064	16,108,334
Non-controlling interests		1,758,019	1,505,354	(766,035)	–	–	–
<b>Total equity</b>		<b>51,212,169</b>	<b>49,531,913</b>	<b>43,324,879</b>	<b>18,561,168</b>	<b>18,303,064</b>	<b>16,108,334</b>
<b>Total equity and liabilities</b>		<b>74,406,145</b>	<b>74,395,385</b>	<b>66,484,188</b>	<b>18,932,258</b>	<b>18,560,999</b>	<b>16,381,903</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2018

	Note	Group	
		2018	2017
		\$	\$
Revenue	20	56,454,725	67,326,151
Other operating income	21	1,313,019	716,287
Changes in inventories of finished goods and work-in-progress		(727,071)	(2,222,989)
Materials and consumables used and other direct costs		(31,762,783)	(41,568,421)
Employee benefits expense		(15,200,787)	(13,673,595)
Depreciation and amortisation expense		(2,276,480)	(1,831,780)
Other operating expenses	22	(4,141,271)	(3,625,743)
Share of loss from associate	13	(21,491)	–
Finance costs	23	(413,167)	(294,176)
<b>Profit before tax</b>		3,224,694	4,825,734
Income tax expense	24	(459,958)	(581,690)
<b>Profit for the year</b>	25	2,764,736	4,244,044
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences on translation of foreign operations		(18,479)	(49,885)
<b>Other comprehensive loss for the year, net of tax</b>		(18,479)	(49,885)
<b>Total comprehensive income for the year</b>		<u>2,746,257</u>	<u>4,194,159</u>
<b>Profit (Loss) attributable to</b>			
Owners of the Company		2,260,381	4,253,467
Non-controlling interests		504,355	(9,423)
		<u>2,764,736</u>	<u>4,244,044</u>
<b>Total comprehensive income (loss) attributable to</b>			
Owners of the Company		2,248,592	4,232,434
Non-controlling interests		497,665	(38,275)
		<u>2,746,257</u>	<u>4,194,159</u>
Basic and diluted earnings per share (cents)	30	<u>0.96</u>	<u>1.81</u>

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2018

Group	Note	Share capital	Accumulated profits	Reserves	Equity attributable to owners of the Company	Non-controlling interests	Total
		\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2017</b>		11,350,674	32,387,792	352,448	44,090,914	(766,035)	43,324,879
Transactions with owners, recognised directly in equity:							
Contribution by non-controlling interests		–	–	–	–	110,524	110,524
Non-controlling interest arising from acquisition of subsidiaries (Restated)		–	–	–	–	2,199,140	2,199,140
Effects of acquiring part of non-controlling interest in subsidiaries	19	–	–	408,211	408,211	–	408,211
Dividends paid	26	–	(705,000)	–	(705,000)	–	(705,000)
<b>Total</b>		<u>–</u>	<u>(705,000)</u>	<u>408,211</u>	<u>(296,789)</u>	<u>2,309,664</u>	<u>2,012,875</u>
Total comprehensive income for the year:							
Profit for the year		–	4,253,467	–	4,253,467	(9,423)	4,244,044
Other comprehensive loss for the year		–	–	(21,033)	(21,033)	(28,852)	(49,885)
<b>Total</b>		<u>–</u>	<u>4,253,467</u>	<u>(21,033)</u>	<u>4,232,434</u>	<u>(38,275)</u>	<u>4,194,159</u>
<b>Balance as at December 31, 2017 (Restated)</b>		<u>11,350,674</u>	<u>35,936,259</u>	<u>739,626</u>	<u>48,026,559</u>	<u>1,505,354</u>	<u>49,531,913</u>
<b>Balance as at January 1, 2018 (Restated)</b>		11,350,674	35,936,259	739,626	48,026,559	1,505,354	49,531,913
Transactions with owners, recognised directly in equity:							
Effects of acquiring part of non-controlling interest in subsidiaries	19	–	–	24,999	24,999	(25,000)	(1)
Dividends paid to owners of the Company	26	–	(846,000)	–	(846,000)	–	(846,000)
Dividends paid to non-controlling interests		–	–	–	–	(220,000)	(220,000)
<b>Total</b>		<u>–</u>	<u>(846,000)</u>	<u>24,999</u>	<u>(821,001)</u>	<u>(245,000)</u>	<u>(1,066,001)</u>
Total comprehensive income for the year:							
Profit for the year		–	2,260,381	–	2,260,381	504,355	2,764,736
Other comprehensive loss for the year		–	–	(11,789)	(11,789)	(6,690)	(18,479)
<b>Total</b>		<u>–</u>	<u>2,260,381</u>	<u>(11,789)</u>	<u>2,248,592</u>	<u>497,665</u>	<u>2,746,257</u>
<b>Balance as at December 31, 2018</b>		<u>11,350,674</u>	<u>37,350,640</u>	<u>752,836</u>	<u>49,454,150</u>	<u>1,758,019</u>	<u>51,212,169</u>

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2018

<u>Company</u>	<u>Note</u>	<u>Share capital \$</u>	<u>Accumulated profits \$</u>	<u>Reserves \$</u>	<u>Total \$</u>
<b>Balance as at January 1, 2017</b>		11,350,674	4,757,660	–	16,108,334
Transaction with owners, recognised directly in equity:					
Deemed interest	19	–	–	588,357	588,357
Dividends paid	26	–	(705,000)	–	(705,000)
Profit for the year, representing total comprehensive income for the year		–	2,311,373	–	2,311,373
<b>Balance as at December 31, 2017</b>		11,350,674	6,364,033	588,357	18,303,064
Transaction with owners, recognised directly in equity:					
Dividends paid	26	–	(846,000)	–	(846,000)
Profit for the year, representing total comprehensive income for the year		–	1,104,104	–	1,104,104
<b>Balance as at December 31, 2018</b>		<u>11,350,674</u>	<u>6,622,137</u>	<u>588,357</u>	<u>18,561,168</u>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	2018 \$	Group 2017 \$
<b>Operating activities</b>		
Profit before taxation	3,224,694	4,825,734
Adjustments for:		
Interest income	(126,836)	(30,213)
Depreciation expense	1,860,902	1,761,760
Property, plant and equipment written off	655	22,519
Bad debts written off	15,250	43,552
Bad debts recovered	(459)	(100)
Allowance for doubtful debts – trade	358,077	13,719
Allowance for doubtful debts – non-trade	113,281	114,250
(Gain) Loss on disposal of property, plant and equipment	(55,680)	1,390
Gain on disposal of intangible assets	(18,000)	–
Impairment of goodwill	1,167	–
Interest expense	364,958	226,645
Intangible assets written off	2,750	–
Fair value changes on derivative financial instruments	832	2,744
Allowance for inventories and inventories written off	55,009	93,230
Amortisation of intangible assets	415,578	70,020
Share of loss from associate	21,491	–
Operating cash flows before movements in working capital	6,233,669	7,145,250
Inventories	719,300	2,330,919
Trade and other receivables	(4,650,810)	134,628
Trade and other payables (Note A)	278,000	(615,972)
Cash generated from operations	2,580,159	8,994,825
Income tax paid	(564,057)	(811)
Net cash from operating activities	2,016,102	8,994,014
<b>Investing activities</b>		
Interest received	126,836	30,213
Proceeds from disposal of property, plant and equipment	260,870	489
Proceeds from disposal of intangible assets	34,000	–
Purchase of intangible assets	(17,000)	(6,000)
Purchase of property, plant and equipment (Note A)	(612,099)	(1,097,454)
Investment in associate	(140,000)	–
Net cash inflow (outflow) from acquisition of subsidiaries (Note 31)	22,056	(806,504)
Payment of contingent consideration	(800,000)	–
Net cash used in investing activities	(1,125,337)	(1,879,256)
<b>Financing activities</b>		
Dividends paid	(1,066,000)	(705,000)
Increase in pledged fixed deposits	(425,866)	(100)
Interest paid	(193,574)	(226,645)
Repayment of bank borrowings	(982,827)	(1,027,868)
Repayment of obligations under finance leases	(289,378)	(330,824)
Net cash used in financing activities	(2,957,645)	(2,290,437)
Net (decrease) increase in cash and cash equivalents	(2,066,880)	4,824,321
Cash and cash equivalents at beginning of the year	25,391,591	20,569,158
Effect of foreign exchange rate changes	6,570	(1,888)
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<b>23,331,281</b>	<b>25,391,591</b>

## Note A

Included in trade and other payables is an amount of \$1,060 (2017: \$999) relating to the acquisition of property, plant and equipment (“PPE”).

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$629,887 (2017: \$640,286), of which \$16,728 (2017: \$44,456) were acquired under finance leases, \$612,099 (2017: \$594,831) were paid in cash and \$1,060 (2017: \$999) remains unpaid at the end of the reporting period and is recorded as other payables.

In 2017, the Group had also made cash payment of \$502,522 relating to property, plant and equipment acquired in prior year which were unpaid then.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 1 GENERAL

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

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

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

The principal activities of the subsidiaries, an associate and a joint venture are disclosed in Notes 12, 13(a) and 13(b) respectively.

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, 2018 were authorised for issue by the Board of Directors on March 29, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore (“FRSs”). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”). Details of first-time adoption of SFRS(I) are included in Note 32.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 existing subsidiaries

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

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

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

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

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 at fair value, with changes in fair value recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 SFRS(I).

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 statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets

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

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

#### Classification of financial assets

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

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

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

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

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

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

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

#### *Amortised cost and effective interest method*

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

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Interest income is recognised in profit or loss using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 4(c)(v).

### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating expenses” line item; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating expenses” line item.

### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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

### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the forecast economic information that relate to the construction industry and hospitality business of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors when assessed to be relevant.

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

### *Definition of default*

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

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

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

### *Credit-impaired financial assets*

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

- a) significant financial difficulty of the debtor;
- b) a breach of contract, such as a default or past due event; or
- c) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Write-off policy*

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

### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Amounts due from subsidiaries companies, associate and related party are assessed for expected credit losses on an individual basis);
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

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

#### Equity instruments

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

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

#### Financial liabilities

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

#### *Financial liabilities at FVTPL*

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

Fair value is determined in the manner described in Note 4(c)(v).



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Financial liabilities subsequently measured at amortised cost*

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

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

### *Financial guarantee contracts*

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

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

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

### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Derivative financial instruments**

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

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

### **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.

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.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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

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.

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.

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

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.

**GOODWILL** – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liability assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previous held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### INTANGIBLE ASSETS

#### Intangible assets acquired separately

Intangible assets 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.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

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

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** – 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.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 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 AND JOINT VENTURE** – 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.

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

The results and assets and liabilities of associates or joint venture 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 SFRS(I) 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *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 SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – The Group recognises revenue from the following major sources:

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

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

### Equipment sales and projects

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

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

### Repairs and servicing

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

### Training

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

### 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.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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

The carrying amount of deferred tax assets is reviewed at 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.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In preparing the financial statements of the 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.

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.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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**

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

### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that 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.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### (b) Calculation of loss allowance

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

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

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

### (c) Impairment assessment of investment in subsidiaries

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

The carrying amount of the Company's investment in subsidiaries is disclosed in Note 12.

### (d) Impairment of goodwill

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

The carrying amount of goodwill and details of the impairment assessment are disclosed in Note 11.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 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		
	December 31, 2018 \$	December 31, 2017 \$	January 1, 2017 \$	December 31, 2018 \$	December 31, 2017 \$	January 1, 2017 \$
<b>Financial assets</b>						
Financial assets						
at amortised cost	38,568,552	36,180,549	30,703,406	15,348,128	14,976,411	13,896,088
Derivative financial instruments	–	405	3,224	–	–	–
	<u>38,568,552</u>	<u>36,180,954</u>	<u>30,706,630</u>	<u>15,348,128</u>	<u>14,976,411</u>	<u>13,896,088</u>
<b>Financial liabilities</b>						
Financial liabilities						
at amortised cost	14,636,574	17,608,476	18,402,685	361,188	252,848	273,569
Derivative financial instruments	1,341	914	989	–	–	–
Contingent consideration for a business combination	1,534,901	2,182,770	–	–	–	–
	<u>16,172,816</u>	<u>19,792,160</u>	<u>18,403,674</u>	<u>361,188</u>	<u>252,848</u>	<u>273,569</u>

### (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.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

### (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 Chinese yuan, Euro, Singapore dollar and United States dollar.

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		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$	\$	\$	\$
Chinese yuan	–	–	–	385,951	136,937	273,569
Euro	3,381,564	3,349,468	1,660,992	2,625,097	3,663,819	638,675
Singapore dollar	4,198	68,497	57,843	5,046,224	5,930,221	5,035,813
United States dollar	63,666	336,070	207,127	36,492	192,493	150,193
	<u>63,666</u>	<u>336,070</u>	<u>207,127</u>	<u>36,492</u>	<u>192,493</u>	<u>150,193</u>

### *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 before tax will increase (decrease) by:

	Group	
	2018 \$	2017 \$
Chinese yuan	19,298	6,846
Euro	(37,823)	15,718
Singapore dollar	252,101	293,086
United States dollar	<u>(1,359)</u>	<u>(7,178)</u>

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

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

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 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 16) 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 \$26,381 (2017: \$31,279).

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. As at December 31, 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

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

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

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
<u>Group</u>						
<u>December 31, 2018</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	14,660,547	(767,300)	13,893,247
Other receivables	7	Performing	12-month ECL	668,699	–	668,699
Other receivables – joint venture	7	In default	Lifetime ECL – credit-impaired	113,281	(113,281)	–
Other receivables – related party	7	In default	Lifetime ECL – credit-impaired	160,290	(114,250)	46,040
					<u>(994,831)</u>	
<u>December 31, 2017</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	10,420,699	(409,223)	10,011,476
Other receivables	7	Performing	12-month ECL	575,279	–	575,279
Other receivables – associate	7	In default	Lifetime ECL – credit-impaired	114,250	(114,250)	–
					<u>(523,473)</u>	
<u>January 1, 2017</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	9,077,094	(150,627)	8,926,467
Other receivables	7	Performing	12-month ECL	678,050	–	678,050
Other receivables – associate	7	Performing	12-month ECL	114,250	–	114,250
					<u>(150,627)</u>	
<u>Company</u>						
<u>December 31, 2018</u>						
Other receivables	7	Performing	12-month ECL	38,298	–	38,298
<u>December 31, 2017</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	83,742	–	83,742
Other receivables	7	Performing	12-month ECL	28,558	–	28,558
<u>January 1, 2017</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	84,446	–	84,446
Other receivables	7	Performing	12-month ECL	36,585	–	36,585

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

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

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

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.

The Group is exposed to a concentration of credit risk as 38% (December 31, 2017: 21%, January 1, 2017: 27%) of its total trade and other receivables are due from a single counterparty.

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

(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.

As at December 31, 2018, the Company has provided corporate guarantees to certain banks in respect of the banking facilities granted to its subsidiaries amounting to \$28,581,000 (December 31, 2017: \$30,381,000, January 1, 2017: \$25,700,000), of which \$8,627,000 (December 31, 2017: \$10,599,000, January 1, 2017: \$10,900,000) was utilised at the end of the reporting period.

The maximum amount that the Company could be forced to settle under the corporate guarantee contract if the full guaranteed amount is claimed by the counterparty to the guarantee is disclosed above. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

*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.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

<b>Group</b>	<b>Weighted effective average interest rate %</b>	<b>On demand or within 1 year \$</b>	<b>Within 2 to 5 years \$</b>	<b>After 5 years \$</b>	<b>Adjustments \$</b>	<b>Total \$</b>
<b>December 31, 2018</b>						
Non-interest bearing	–	10,669,579	–	–	–	10,669,579
Variable interest rate instruments	3.41	1,007,285	3,762,459	1,368,141	(861,635)	5,276,250
Fixed interest rate instruments	5.69	123,470	116,429	–	(14,253)	225,646
Total		<u>11,800,334</u>	<u>3,878,888</u>	<u>1,368,141</u>	<u>(875,888)</u>	<u>16,171,475</u>
<b>December 31, 2017</b>						
Non-interest bearing	–	12,011,926	1,045,002	–	–	13,056,928
Variable interest rate instruments	2.93	1,184,159	3,925,863	2,179,749	(1,033,996)	6,255,775
Fixed interest rate instruments	5.14	230,397	282,069	–	(33,923)	478,543
Total		<u>13,426,482</u>	<u>5,252,934</u>	<u>2,179,749</u>	<u>(1,067,919)</u>	<u>19,791,246</u>
<b>January 1, 2017</b>						
Non-interest bearing	–	10,377,645	–	–	–	10,377,645
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		<u>12,024,325</u>	<u>4,500,751</u>	<u>3,067,242</u>	<u>(1,189,633)</u>	<u>18,402,685</u>
<b>Company</b>						
<b>December 31, 2018</b>						
Non-interest bearing	–	<u>361,188</u>	–	–	–	<u>361,188</u>
<b>December 31, 2017</b>						
Non-interest bearing	–	<u>252,848</u>	–	–	–	<u>252,848</u>
<b>January 1, 2017</b>						
Non-interest bearing	–	<u>273,569</u>	–	–	–	<u>273,569</u>

### Non-derivative financial assets

The Group's and the Company's non-derivative financial assets as at the end of the financial year ended December 31, 2018, December 31, 2017 and January 1, 2017 are non-interest bearing and are repayable on demand or due within 1 year from the end of the reporting period, except for interest bearing fixed deposits as disclosed in Note 6.

### Derivative financial instruments

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

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

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

### (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.

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						Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	Fair value as at		Fair value hierarchy		Assets	Liabilities			
	December 31, 2018	December 31, 2017	January 1, 2017	Level					
<b>Derivative financial instruments (Note 8)</b>									
Forward foreign exchange contract	-	(1,341)	405	(914)	3,224	(989)	Level 2	n.a.	n.a.
<b>Other payables (Note 14)</b>									
Contingent consideration	-	(1,534,901)	-	(2,182,770)	-	-	Level 3	Discount rate of 5.28% per annum	An increase in the discount rate used in isolation would result in a decrease in fair value.

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

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 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. Related companies in these financial statements refer to members of the holding company's group of companies.

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:

	Group	
	2018	2017
	\$	\$
<u>Transaction with ultimate holding company</u>		
Dividend paid	569,808	483,840
<u>Transactions with company which certain shareholders have interest in</u>		
Services rendered	–	(12,000)
Sales	(5,122)	(1,909)
<u>Transactions with associate</u>		
Services rendered	–	53,164
<u>Transactions with related company</u>		
Services rendered	(13,783)	–
Sales	(29,245)	–

### Compensation of directors and key management personnel

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

	Group	
	2018	2017
	\$	\$
Short-term benefits	1,895,247	1,946,932
Post-employment benefits	97,049	99,484
	<u>1,992,296</u>	<u>2,046,416</u>

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

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 6 CASH AND BANK BALANCES

	Group			Company		
	December 31,	December 31,	January 1,	December 31,	December 31,	January 1,
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Fixed deposits	10,646,814	10,220,924	200,481	10,000,000	10,000,000	–
Cash in hand	24,031	240,998	5,926	–	–	–
Bank balances	13,286,883	15,130,250	20,563,232	5,309,830	4,864,111	13,775,057
	23,957,728	25,592,172	20,769,639	15,309,830	14,864,111	13,775,057
Less: Pledged fixed deposits	(626,447)	(200,581)	(200,481)	–	–	–
Cash and cash equivalents						
per statement of cash flows	<u>23,331,281</u>	<u>25,391,591</u>	<u>20,569,158</u>	<u>15,309,830</u>	<u>14,864,111</u>	<u>13,775,057</u>

Fixed deposits are pledged as collaterals for certain bank facilities. The fixed deposits have maturity of one to twelve months (December 31, 2017: one to twelve months, January 1, 2017: one month) and bear interest at 1.23% (December 31, 2017: 0.96%, January 1, 2017: 0.05%) per annum.

## 7 TRADE AND OTHER RECEIVABLES

	Group			Company		
	December 31,	December 31,	January 1,	December 31,	December 31,	January 1,
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Trade receivables:						
– outside parties	14,660,547	10,420,699	9,077,094	–	–	–
– subsidiary companies	–	–	–	–	83,742	84,446
Loss allowance	(767,300)	(409,223)	(150,627)	–	–	–
	13,893,247	10,011,476	8,926,467	–	83,742	84,446
Accrued revenue	2,838	1,622	215,000	–	–	–
	<u>13,896,085</u>	<u>10,013,098</u>	<u>9,141,467</u>	<u>–</u>	<u>83,742</u>	<u>84,446</u>
Other receivables:						
– outside parties	183,131	246,811	185,256	38,298	28,558	–
– joint venture	113,281	–	–	–	–	–
– associate	–	114,250	114,250	–	–	–
– related party <sup>(1)</sup>	160,290	86,400	–	–	–	–
– deposits	441,540	235,868	448,909	–	–	–
– prepayments	351,293	185,337	208,086	20,190	20,650	10,234
– staff loans	44,028	6,200	7,300	–	–	–
– others	–	–	36,585	–	–	36,585
Loss allowance	(227,531)	(114,250)	–	–	–	–
	<u>1,066,032</u>	<u>760,616</u>	<u>1,000,386</u>	<u>58,488</u>	<u>49,208</u>	<u>46,819</u>
Total	<u>14,962,117</u>	<u>10,773,714</u>	<u>10,141,853</u>	<u>58,488</u>	<u>132,950</u>	<u>131,265</u>

(1) In 2018, related party refers to a company which the Group has interest in and in 2017, related party refers to a company which the directors of a subsidiary have interest in.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days (December 31, 2017: 30 to 60 days, January 1, 2017: 30 to 60 days) credit terms. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and considering general economic conditions of the industry in which the debtors operate.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

Engineering	Group Trade receivables – days past due					Total \$
	Not past due \$	Within 90 days \$	91 to 180 days \$	181 to 360 days \$	More than 360 days \$	
<u>December 31, 2018</u>						
Expected credit loss rate	0.2%	0.4%	2.5%	18.0%	62.9%	
Estimated total gross carrying amount at default	1,779,518	8,515,687	1,005,068	458,686	361,607	12,120,566
Lifetime ECL	(4,262)	(33,354)	(25,393)	(82,513)	(227,283)	(372,805)
						<u>11,747,761</u>
<u>December 31, 2017</u>						
Expected credit loss rate	0.0%	0.1%	2.5%	12.0%	28.7%	
Estimated total gross carrying amount at default	3,293,796	4,695,959	554,269	251,538	69,925	8,865,487
Lifetime ECL	–	(5,797)	(14,003)	(30,089)	(20,034)	(69,923)
						<u>8,795,564</u>
<u>January 1, 2017</u>						
Expected credit loss rate	0.2%	0.4%	2.5%	11.2%	51.6%	
Estimated total gross carrying amount at default	3,010,957	4,793,610	800,332	204,753	149,533	8,959,185
Lifetime ECL	(7,211)	(18,775)	(20,220)	(22,890)	(77,216)	(146,312)
						<u>8,812,873</u>

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Training	Group					Total
	Trade receivables – days past due					
	Not past due	Within 30 days	31 to 60 days	61 to 90 days	More than 90 days	
	\$	\$	\$	\$	\$	\$
<u>December 31, 2018</u>						
Expected credit loss rate	1.5%	3.4%	8.3%	17.6%	81.2%	
Estimated total gross carrying amount at default	342,730	1,038,308	695,479	125,937	337,527	2,539,981
Lifetime ECL	(5,054)	(35,431)	(57,934)	(22,118)	(273,958)	(394,495)
						<u>2,145,486</u>
<u>December 31, 2017</u>						
Expected credit loss rate	0.0%	3.2%	22.8%	11.6%	94.2%	
Estimated total gross carrying amount at default	195,887	765,337	146,221	169,694	278,073	1,555,212
Lifetime ECL	–	(24,477)	(33,271)	(19,708)	(261,844)	(339,300)
						<u>1,215,912</u>
<u>January 1, 2017</u>						
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	100.0%	
Estimated total gross carrying amount at default	45,732	63,828	2,905	1,129	4,315	117,909
Lifetime ECL	–	–	–	–	(4,315)	(4,315)
						<u>113,594</u>

### Company

Trade receivables as at December 31, 2017 and January 1, 2017 were mostly not past due and the weighted credit loss rate is assessed as negligible. Accordingly, no loss allowance was recognised.

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

Group	Lifetime ECL – credit impaired
	\$
Balance at January 1, 2017	150,627
Origination of new trade receivables on acquisition of subsidiaries (Note 31)	245,563
Origination of new trade receivables net of those settled, as well as increase in days past due	13,719
Amounts written off	(686)
Balance at December 31, 2017	409,223
Customers' accounts in mediation	300,766
Origination of new trade receivables net of those settled, as well as increase in days past due	57,311
Balance at December 31, 2018	<u>767,300</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Other receivables

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

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

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

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

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

<u>Group</u>	12-month ECL \$	Lifetime ECL– credit impaired \$	Total \$
Balance at January 1, 2017	–	–	–
Debtor’s account past due over 365 days	–	114,250	114,250
Balance at December 31, 2017	–	114,250	114,250
Debtor’s account past due over 365 days	–	113,281	113,281
Balance at December 31, 2018	–	227,531	227,531

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

## 8 DERIVATIVE FINANCIAL INSTRUMENTS

	Group					
	Assets			Liabilities		
	December 31, 2018 \$	December 31, 2017 \$	January 1, 2017 \$	December 31, 2018 \$	December 31, 2017 \$	January 1, 2017 \$
<u>Current</u>						
Not designated in hedge accounting relationships	–	405	3,224	(1,341)	(914)	(989)

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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:

	December 31, 2018 \$	Group December 31, 2017 \$	January 1, 2017 \$
Forward foreign exchange contracts	313,980	959,740	913,480

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

Group	Average exchange rate	Foreign currency FC'000	Contract value \$'000	Changes in fair value \$
<b>December 31, 2018</b>				
Buy EUR: less than 3 months	1.57	200	314	(832)
<b>December 31, 2017</b>				
Buy EUR: less than 3 months	1.60	600	960	(2,744)
<b>January 1, 2017</b>				
Buy EUR: less than 3 months	1.52	600	913	(9,951)

## 9 INVENTORIES

	December 31, 2018 \$	Group December 31, 2017 \$	January 1, 2017 \$
Materials	8,029,955	7,836,425	8,796,547
Work-in-progress	1,986,085	1,768,936	3,377,595
Goods-in-transit	316,233	1,512,368	1,277,084
	10,332,273	11,117,729	13,451,226
Less: Allowance for inventories	(100,225)	(104,276)	(104,209)
	10,232,048	11,013,453	13,347,017

Movement in allowance for inventories:

	December 31, 2018 \$	Group December 31, 2017 \$	January 1, 2017 \$
Balance at beginning of the year	104,276	104,209	25,121
(Credit) Charge to profit or loss for the year	(4,582)	(408)	79,536
Exchange realignment	531	475	(448)
Balance at end of the year	100,225	104,276	104,209

During the year, the cost of inventories recognised as an expense includes \$59,591 (2017: \$93,638) in respect of non-usable items written off for the Group.



# NOTES TO FINANCIAL STATEMENTS

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## 10 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings \$	Freehold land and buildings <sup>(1)</sup> \$	Construction- in-progress \$	Motor vehicles \$	Office equipment, furniture and fittings \$	Computers \$	Plant and machinery \$	Total \$
Cost:								
At January 1, 2017	20,749,801	1,884,127	86,950	1,814,660	1,305,141	1,453,935	3,670,669	30,965,283
Additions	–	–	142,680	18,757	107,592	266,437	104,820	640,286
Acquired on acquisition of subsidiaries (Note 31)	–	–	33,000	–	16,295	5,532	–	54,827
Reclassification	–	–	(26,950)	–	–	26,950	–	–
Exchange realignment	–	36,333	–	590	2,693	473	5,665	45,754
Disposals	–	–	–	–	(5,489)	–	–	(5,489)
Written off	–	–	–	–	(25,898)	(31,642)	(9,600)	(67,140)
At December 31, 2017	20,749,801	1,920,460	235,680	1,834,007	1,400,334	1,721,685	3,771,554	31,633,521
Additions	–	–	36,350	142,386	191,042	221,495	38,614	629,887
Reclassification	–	–	(226,680)	–	–	226,680	–	–
Exchange realignment	–	4,275	–	(740)	(547)	(82)	(154)	2,752
Disposals	–	–	–	(401,888)	–	(20,534)	–	(422,422)
Written off	–	–	–	–	(2,500)	(29,940)	–	(32,440)
At December 31, 2018	<u>20,749,801</u>	<u>1,924,735</u>	<u>45,350</u>	<u>1,573,765</u>	<u>1,588,329</u>	<u>2,119,304</u>	<u>3,810,014</u>	<u>31,811,298</u>
Accumulated depreciation:								
At January 1, 2017	5,069,330	49,258	–	648,895	565,809	827,707	1,587,244	8,748,243
Depreciation for the year	706,828	22,715	–	304,563	169,347	254,965	303,342	1,761,760
Exchange realignment	–	1,503	–	590	1,102	470	2,387	6,052
Disposal	–	–	–	–	(3,610)	–	–	(3,610)
Written off	–	–	–	–	(10,659)	(31,642)	(2,320)	(44,621)
At December 31, 2017	5,776,158	73,476	–	954,048	721,989	1,051,500	1,890,653	10,467,824
Depreciation for the year	706,828	23,651	–	285,578	136,675	406,953	301,217	1,860,902
Exchange realignment	–	(167)	–	(13)	(317)	–	(286)	(783)
Disposal	–	–	–	(167,453)	–	(20,534)	–	(187,987)
Written off	–	–	–	–	(2,500)	(29,285)	–	(31,785)
At December 31, 2018	<u>6,482,986</u>	<u>96,960</u>	<u>–</u>	<u>1,072,160</u>	<u>855,847</u>	<u>1,408,634</u>	<u>2,191,584</u>	<u>12,108,171</u>
Carrying amount:								
At December 31, 2018	<u>14,266,815</u>	<u>1,827,775</u>	<u>45,350</u>	<u>501,605</u>	<u>732,482</u>	<u>710,670</u>	<u>1,618,430</u>	<u>19,703,127</u>
At December 31, 2017	<u>14,973,643</u>	<u>1,846,984</u>	<u>235,680</u>	<u>879,959</u>	<u>678,345</u>	<u>670,185</u>	<u>1,880,901</u>	<u>21,165,697</u>
At January 1, 2017	<u>15,680,471</u>	<u>1,834,869</u>	<u>86,950</u>	<u>1,165,765</u>	<u>739,332</u>	<u>626,228</u>	<u>2,083,425</u>	<u>22,217,040</u>

The carrying amount of the Group's plant and equipment includes an amount of \$447,399 (December 31, 2017: \$1,196,455, January 1, 2017: \$1,494,171) secured in respect of assets held under finance leases.

The Group has pledged leasehold and freehold land and buildings with a carrying amount of approximately \$16,094,591 (December 31, 2017: \$16,820,627, January 1, 2017: \$17,515,340) to secure banking facilities granted to the Group.

(1) Includes a foreign subsidiary's freehold land of \$758,739 (December 31, 2017: \$757,054, January 1, 2017: \$742,731).

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 11 INTANGIBLE ASSETS

<u>Group</u>	<u>Goodwill</u>	<u>Accreditation and copyright<sup>(1)</sup></u>	<u>Favourable leases<sup>(2)</sup></u>	<u>Other intangible assets<sup>(3)</sup></u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cost:					
At January 1, 2017	–	–	–	6,498	6,498
Arising on acquisition of a subsidiary (Note 31) (Restated)	1,299,358	4,550,005	59,186	–	5,908,549
Additions	–	6,000	–	–	6,000
At December 31, 2017	1,299,358	4,556,005	59,186	6,498	5,921,047
Arising on acquisition of a subsidiaries (Note 31)	1,167	–	–	–	1,167
Additions	–	–	–	17,000	17,000
Disposal	–	–	–	(16,000)	(16,000)
Written off	–	(2,750)	–	–	(2,750)
At December 31, 2018	1,300,525	4,553,255	59,186	7,498	5,920,464
Amortisation:					
At January 1, 2017	–	–	–	1,083	1,083
Amortisation for the year	–	62,942	4,912	2,166	70,020
At December 31, 2017	–	62,942	4,912	3,249	71,103
Amortisation for the year	–	383,820	29,592	2,166	415,578
At December 31, 2018	–	446,762	34,504	5,415	486,681
Impairment:					
Impairment loss recognised during the year and balance at December 31, 2018	1,167	–	–	–	1,167
Carrying amount:					
At December 31, 2018	1,299,358	4,106,493	24,682	2,083	5,432,616
At December 31, 2017	1,299,358	4,493,063	54,274	3,249	5,849,944
At January 1, 2017	–	–	–	5,415	5,415

- (1) The accreditation pertains to the approval and status as a public training organisation under the SkillsFuture Singapore. The copyright pertains to the right to use the courseware materials for the course modules. These assets arose from the acquisition of Ascendo Group in 2017 (Note 31). As at December 31, 2017, the fair value of identifiable net assets acquired were determined on a provisional basis and were finalised during the year. As a result, the amount of accreditation and copyright recognised at the acquisition date was retrospectively adjusted from \$2,246,414 to \$4,556,005. The accreditation and copyright has finite useful life of 12 years, over which the assets, are amortised. There is no material impact on the amortisation expense.
- (2) The favourable leases pertain to the rental agreements entered relating to the rental of classrooms and office space based on favourable rates, and has finite useful life of 2 years, over which the asset is amortised.
- (3) The intangible asset pertains to exclusive rights to use certain intellectual property and courseware materials. These are amortised over the finite useful life of 3 years.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 11 INTANGIBLE ASSETS (CONTINUED)

### Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to Ascendo Consulting Pte. Ltd.

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

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to course fees and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in course fees and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next ten years based on estimated growth rates ranging from 4.5% to 28.7%.

The rate used to discount the forecast cash flows is 18.1%.

As at December 31, 2018, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU. No impairment loss is recorded during the year.

## 12 INVESTMENT IN SUBSIDIARIES

	<b>December 31, 2018</b>	<b>Company December 31, 2017</b>	<b>January 1, 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equity shares at cost – unquoted	3,895,583	3,895,581	3,395,581
Deemed interest <sup>(1)</sup>	588,357	588,357	–
Less: Allowance for impairment	(920,000)	(920,000)	(920,000)
	<u>3,563,940</u>	<u>3,563,938</u>	<u>2,475,581</u>

(1) As part of the acquisition of 60% shareholdings in Ascendo Group in the previous financial year, the owners/founders of Ascendo Group, also appointed as directors of Ascendo Group, are given 20% of the issued and paid-up share capital of Wong Fong Academy (“WFA”) for a cash consideration of \$2.

Management has assessed the fair value of 20% of the issued and paid-up share capital of WFA, of which the present value of the discounted cashflow is discounted at 16.12%, resulting in a deemed interest of \$588,357.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Group's significant subsidiaries at December 31, 2018 are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held		
			December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
<u>Held by the Company</u>					
Wong Fong Engineering Works (1988) Pte. Ltd. <sup>(1)</sup>	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	100
Wong Fong Academy Pte. Ltd. <sup>(1)</sup>	Training and consultancy services	Singapore	80 <sup>(4)</sup>	78 <sup>(4)</sup>	95 <sup>(4)</sup>
CE Asia Holdings Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	65	65	65
WFVEN Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	100	100	100
1Summit Global Pte Ltd <sup>(1)(7)</sup>	Investment holding	Singapore	100	–	–
<u>Subsidiaries held by Wong Fong Engineering Works (1988) Pte. Ltd.</u>					
Wong Fong Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	100	100	100
WFRIC HK Limited <sup>(3)</sup>	Investment holding	Hong Kong	100	100	100
Ascendo International Holdings Pte. Ltd. <sup>(1)(5)</sup>	Investment holding	Singapore	60	60	–
<u>Subsidiary held by Wong Fong Pte. Ltd.</u>					
Wong Fong Myanmar Company Limited <sup>(3)</sup>	Distribution, rental and marketing services of heavy machinery and construction machinery including their spare parts, accessories and engineering works	Myanmar	60	60	60

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held		
			December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
<u>Subsidiary held by WFRIC HK Limited</u>					
WFRIC Shenzhen Co., Ltd <sup>(3)(8)</sup>	Research and development and trading of equipment	People's Republic of China ("PRC")	–	100	100
<u>Subsidiaries held by Ascendo International Holdings Pte. Ltd.</u>					
Ascendo Consulting Pte. Ltd. <sup>(1)(5)</sup>	Business management, consultancy services and conducting of food hygiene courses	Singapore	100	100	–
Ascer Pte. Ltd. <sup>(1)(5)</sup>	Corporate training services in safety and consultancy services in risk management	Singapore	100	100	–
Ascendo Group International Pte. Ltd. <sup>(1)(5)</sup>	Corporate training services and motivational course provider	Singapore	100	100	–
<u>Subsidiary held by Wong Fong Academy Pte. Ltd.</u>					
Smatra Training Hub Pte. Ltd. <sup>(1)(6)</sup>	Safety, quality consultancy, management services, training and education services	Singapore	100	–	–
<u>Subsidiaries held by CE Asia Holdings Pte. Ltd.</u>					
CE Asia Heavy Equipment Pte. Ltd. <sup>(1)</sup>	Traders of industrial, construction and related machinery and equipment	Singapore	100	100	100
CE Asia Heavy Machinery Sdn Bhd <sup>(2)</sup>	Mechanical engineering works and installation of industry machinery and all kinds of machinery component parts	Malaysia	100	100	100

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

- (1) Audited by Deloitte & Touche LLP, Singapore.
- (2) Audited by an overseas practice of Deloitte Touche Tohmatsu Limited.
- (3) Not audited for consolidation purposes as the management is of the opinion that the results of these subsidiaries for the year are not significant.
- (4) In 2017, the Group injected 500,002 of share capital and 20% shareholdings was given to the owners/founders of Ascendo International Holdings Pte. Ltd. as part of Wong Fong Engineering Works (1988) Pte. Ltd. ("WFE")'s acquisition of Ascendo Group. In 2018, the Group acquired additional 2% shareholdings from a non-controlling shareholder at \$1 cash consideration.
- (5) On August 31, 2017, WFE acquired 96,000 ordinary shares in Ascendo International Holdings Pte. Ltd. from the owners/founders, representing 60% of the issued and paid-up ordinary share capital and upon completion of the aforesaid acquisition, Ascendo International Holdings Pte. Ltd. became a subsidiary of WFE.
- (6) On March 19, 2018, the Group acquired 500,000 ordinary shares in Smatra Training Hub Pte Ltd, representing the entire issued and paid-up share capital of the subsidiary.
- (7) Newly incorporated during the year.
- (8) Liquidated during the year.

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		
		December 31, 2018	December 31, 2017	January 1, 2017
Investment holding	Singapore and Hong Kong	4	3	3
Trading of machinery and equipment	Singapore and PRC	1	2	2
		<u>5</u>	<u>5</u>	<u>5</u>

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Investment holding	Singapore	2	2	1
Training and consultancy services	Singapore	5	4	1
Trading of machinery and equipment	Singapore, Malaysia and Myanmar	3	3	3
		<u>10</u>	<u>9</u>	<u>5</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have non-controlling interests to the Group are 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		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2018	January 1, 2017	December 31, 2018	January 1, 2017	December 31, 2018	January 1, 2017
CE Asia Holdings Pte. Ltd.	Singapore	35	35	5,300	(41,631)	(858,095)	(791,035)
Wong Fong Academy Pte. Ltd.	Singapore	20	5	225,389	51,950	209,281	25,000
Ascendo International Holdings Pte. Ltd.	Singapore	40	40	257,438	26,878	2,332,162	2,074,724
Wong Fong Myanmar Company Limited	Myanmar	40	40	16,228	(46,620)	74,671	60,987
				<u>504,355</u>	<u>(9,423)</u>	<u>1,758,019</u>	<u>(766,035)</u>

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

	CE Asia Holdings Pte. Ltd.		Wong Fong Academy Pte. Ltd.		Ascendo International Holdings Pte. Ltd.	
	December 31, 2018	January 1, 2017	December 31, 2018	January 1, 2017	December 31, 2018	January 1, 2017
Current assets	2,753,872	1,795,804	1,784,495	259,083	3,080,052	1,862,543
Non-current assets	2,101,339	2,151,335	600,886	353,582	5,850,113	6,056,259
Current liabilities	(6,190,287)	(4,966,626)	(1,065,917)	(263,840)	(1,121,468)	(698,663)
Non-current liabilities	(1,114,762)	(1,240,612)	(225,010)	(41,046)	(746,783)	(801,824)
Equity attributable to owners of the Company	(1,591,743)	(1,469,064)	885,173	282,779	4,729,752	4,343,591
Non-controlling interests	(858,095)	(791,035)	209,281	25,000	2,332,162	2,074,724

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	CE Asia Holdings Pte. Ltd.		Wong Fong Academy Pte. Ltd.		Ascendo International Holdings Pte. Ltd.	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Revenue	3,761,581	2,784,179	4,995,294	2,601,298	5,110,902	1,163,632
Expenses	(3,746,437)	(2,903,123)	(3,868,347)	(2,341,571)	(4,467,306)	(1,096,437)
Profit (Loss) for the year	15,144	(118,944)	1,126,947	259,727	643,596	67,195
Profit (Loss) attributable to owners of the Company	9,844	(77,313)	901,558	207,777	386,158	40,317
Profit (Loss) attributable to non-controlling interests	5,300	(41,631)	225,389	51,950	257,438	26,878
Profit (Loss) for the year	15,144	(118,944)	1,126,947	259,727	643,596	67,195
Other comprehensive loss attributable to owners of the Company	(7,702)	(48,158)	-	-	-	-
Other comprehensive loss attributable to non-controlling interests	(4,148)	(25,932)	-	-	-	-
Other comprehensive loss for the year	(11,850)	(74,090)	-	-	-	-
Total comprehensive income (loss) attributable to owners of the Company	2,142	(125,471)	901,558	207,777	386,158	40,317
Total comprehensive income (loss) attributable to non-controlling interests	1,152	(67,563)	225,389	51,950	257,438	26,878
Total comprehensive income (loss) for the year	3,294	(193,034)	1,126,947	259,727	643,596	67,195
Dividends paid to non-controlling interests	-	-	220,000	-	-	-
Net cash inflow (outflow) from operating activities	266,842	122,771	1,631,666	544,177	794,992	216,400
Net cash inflow (outflow) from investing activities	(11,722)	(12,047)	(1,346,589)	(352,449)	(313,326)	(169,851)
Net cash inflow (outflow) from financing activities	(128,072)	(142,176)	(9,813)	494,321	-	-
Net cash inflow (outflow)	127,048	(31,452)	275,264	686,049	481,666	46,549



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 13(a) INVESTMENT IN ASSOCIATE

	December 31, 2018	Group December 31, 2017	January 1, 2017
	\$	\$	\$
Cost of investment in associate	140,000	200,000	200,000
Share of post-acquisition loss, net of dividends received	(21,491)	(200,000)	(200,000)
	<u>118,509</u>	<u>–</u>	<u>–</u>

The details of associate company are as follows:

Name of associate	Country of incorporation and operations	Proportion of ownership interest and voting power held			Principal activities
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Vanda Electrics Pte. Ltd. <sup>(1)</sup>	Singapore	–	22.4	48.0	Developing, owning and producing electric vehicles with a focus on the development and production of supercars, premium passenger cars, ant trucks and electric bicycles.
SkillsSG Ventures Pte Ltd <sup>(2)</sup>	Singapore	19.7	–	–	International training provider from Singapore for skills development and competency based training programmes.

(1) In 2017, the Group's interest in the associate was diluted to 22.4% due to additional share capital injection from other investors into the associate. In 2018, the Group's interest was further diluted to 10.3% due to additional share capital injection from other investors. The Group is no longer involved in the business or operational decision making of the entity. Accordingly, the equity investment is classified as financial asset at fair value through profit or loss as at December 31, 2018 and is measured at fair value in accordance with SFRS(I) 9.

(2) Acquired by Ascendo Group International Pte. Ltd. during the year.

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

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 13(a) INVESTMENT IN ASSOCIATE (CONTINUED)

Summarised financial information in respect of the Group's associate is set out below.

	Vanda Electrics Pte. Ltd.		SkillsSG Ventures Pte. Ltd.
	December 31, 2017	January 1, 2017	December 31, 2018
	\$	\$	\$
Current assets	504,513	77,360	596,604
Non-current assets	–	–	9,571
Total assets	504,513	77,360	606,175
Current liabilities	(1,811,066)	(3,486,945)	(5,156)
Non-current liabilities	–	–	–
Total liabilities	(1,811,066)	(3,486,945)	(5,156)
Net (liabilities) assets	(1,306,553)	(3,409,585)	601,019
	22.4%	48.0%	19.7%
Group's share of associate's net assets	–	–	118,509
Revenue	118,107	n.a.	–
Loss for the year	(620,143)	n.a.	(108,982)
Group's share of associate's loss for the year	–	n.a.	(21,491)
Cash and cash equivalents included in current assets	38,663	42,217	596,604
Group's share of losses for the year not recognised	138,912	n.a.	n.a.

## 13(b) INVESTMENT IN JOINT VENTURE

	December 31, 2018	Group December 31, 2017	January 1, 2017
	\$	\$	\$
Cost of investment in joint venture	75,555	75,555	–
Share of pre-acquisition loss, net of dividends received	(75,555)	(75,555)	–
	–	–	–

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 13(b) INVESTMENT IN JOINT VENTURE (CONTINUED)

The details of joint venture company are as follows:

Name of Joint venture	Country of incorporation and operations	Proportion of ownership interest and voting power held			Principal activities
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Ascendo International Myanmar Co. Limited <sup>(1)</sup>	Myanmar	30	30	–	Corporate training and consultancy services

(1) Joint venture of a subsidiary acquired in 2017.

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

Summarised financial information in respect of the joint venture is set out below.

	December 31, 2018	December 31, 2017
	\$	\$
Current assets	1,192	1,237
Non-current assets	–	–
Total assets	1,192	1,237
Current liabilities	–	(51,431)
Non-current liabilities	–	–
Total liabilities	–	(51,431)
Net assets (liabilities)	1,192	(50,194)
Group's share of joint venture's net assets (30%)	–	–
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Revenue	–	–
Profit (Loss) for the year	48,788	(168,030)
Group's share of joint venture's loss for the year	–	–
Cash and cash equivalents included in current assets	1,192	1,237
Group's share of losses for the year not recognised	–	12,572

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 13(c) FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Group's interest in Vanda Electrics Pte. Ltd. (previously an associate) was further diluted to 10.3% due to additional share capital injection from other investors. The Group is no longer involved in the business or operational decision making of the entity (Note 13(a)). Accordingly, the equity investment has been classified as financial asset at fair value through profit or loss as at December 31, 2018 and is measured at fair value in accordance with SFRS(I) 9. Management estimated the fair value of the equity investment to be \$Nil in view of the operating losses and net capital deficiency position of the entity.

## 14 TRADE AND OTHER PAYABLES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$	\$	\$	\$
<b>Current liabilities</b>						
Trade payables:						
– outside parties	5,848,221	7,690,227	6,742,212	–	–	4,460
Deferred revenue	195,895	304,855	19,126	–	–	–
Other payables:						
– outside parties	689,083	787,904	409,414	2	–	–
– related parties <sup>(1)</sup>	1,884,903	1,487,770	350,002	–	–	–
– subsidiary	–	–	–	139,660	–	–
– advanced billings	3,590,063	1,872,602	3,351,585	–	–	–
– accrued expenses	2,407,357	2,205,416	2,941,153	221,526	252,848	269,109
– others	701,094	376,194	341,082	9,902	5,087	–
	<u>9,272,500</u>	<u>6,729,886</u>	<u>7,393,236</u>	<u>371,090</u>	<u>257,935</u>	<u>269,109</u>
Total	<u>15,316,616</u>	<u>14,724,968</u>	<u>14,154,574</u>	<u>371,090</u>	<u>257,935</u>	<u>273,569</u>
<b>Non-current liabilities</b>						
Other payables:						
– outside parties	140,852	20,900	30,932	–	–	–
– related parties <sup>(1)</sup>	–	1,045,002	–	–	–	–
	<u>140,852</u>	<u>1,065,902</u>	<u>30,932</u>	<u>–</u>	<u>–</u>	<u>–</u>

(1) \$350,002 (December 31, 2017: \$350,002, January 1, 2017: \$350,002) pertains to payables to directors of a subsidiary and \$1,534,901 (December 31, 2017: \$2,182,770, January 1, 2017: Nil) pertains to the earn-out payable to owners/founders of Ascendo Group (Note 31), who remained as directors of the subsidiary.

Trade payables are unsecured, non-interest bearing and are normally settled on 60 days (December 31, 2017: 60 days, January 1, 2017: 60 days) credit terms.

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

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 15 FINANCE LEASES

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$	\$	\$	\$
Within one year	123,470	230,397	358,288	114,252	211,136	328,401
In second to fifth year inclusive	116,429	282,069	463,349	111,394	267,407	435,356
	239,899	512,466	821,637	225,646	478,543	763,757
Less: Future finance charges	(14,253)	(33,923)	(57,880)	–	–	–
Present value of lease obligations	<u>225,646</u>	<u>478,543</u>	<u>763,757</u>	225,646	478,543	763,757
Less: Amount due for settlement within 12 months				<u>(114,252)</u>	<u>(211,136)</u>	<u>(328,401)</u>
Amount due for settlement after 12 months				<u>111,394</u>	<u>267,407</u>	<u>435,356</u>

The Group leases certain of its plant and equipment under finance leases. The lease term is for a period of 3 to 5 years with an average effective interest rate of 5.69% (2017: 5.14%).

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).

## 16 BANK BORROWINGS

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$
<u>Secured – at amortised cost</u>			
Bank borrowings	5,276,250	6,255,775	7,261,283
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(827,529)</u>	<u>(982,081)</u>	<u>(1,093,243)</u>
Amount due for settlement after 12 months	<u>4,448,721</u>	<u>5,273,694</u>	<u>6,168,040</u>

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.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 16 BANK BORROWINGS (CONTINUED)

The Group's bank borrowings consist of:

- (a) A secured term loan with carrying amount of \$1,150,262 (December 31, 2017: \$1,193,023, January 1, 2017: \$1,212,938) 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 4.53% (2017: 4.53%).
- (b) A secured term loan with carrying amount of \$4,125,988 (December 31, 2017: \$4,970,988, January 1, 2017: \$5,685,988) 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 3.03% to 3.15% (2017: 2.47% to 2.64%) per annum.
- (c) In 2017, a secured term loan with carrying amount of \$91,764 (January 1, 2017: \$362,357) drawn down by a subsidiary from a bank. The loan bore interest ranging from 2.33% to 2.78% per annum, based on 0.5% over the bank's commercial financing rate. The loan was fully repaid during the year.

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2018	Financing cash flows	Non-cash changes			December 31, 2018
			New finance leases	Foreign exchange movement	Other changes <sup>(i)</sup>	
	\$	\$	\$	\$	\$	\$
Finance leases (Note 15)	478,543	(289,378)	16,728	500	19,253	225,646
Bank borrowings (Note 16)	6,255,775	(982,827)	–	3,302	–	5,276,250
	<u>6,734,318</u>	<u>(1,272,205)</u>	<u>16,728</u>	<u>3,802</u>	<u>19,253</u>	<u>5,501,896</u>

	January 1, 2017	Financing cash flows	Non-cash changes			December 31, 2017
			New finance leases	Foreign exchange movement	Other changes <sup>(i)</sup>	
	\$	\$	\$	\$	\$	\$
Finance leases (Note 15)	763,757	(330,824)	44,456	(29,334)	30,488	478,543
Bank borrowings (Note 16)	7,261,283	(1,027,868)	–	22,360	–	6,255,775
	<u>8,025,040</u>	<u>(1,358,692)</u>	<u>44,456</u>	<u>(6,974)</u>	<u>30,488</u>	<u>6,734,318</u>

- (i) Other changes include interest accruals and payments.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 17 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:

	<b>Accelerated tax depreciation \$</b>	<b>Provisions \$</b>	<b>Intangible assets \$</b>	<b>Total \$</b>
At January 1, 2017	449,232	(20,232)	–	429,000
Charge (Credit) to profit or loss for the year (Note 24)	535,486	(22,309)	–	513,177
Arising on acquisition of subsidiaries (Note 31)	–	–	783,563	783,563
At December 31, 2017	984,718	(42,541)	783,563	1,725,740
Charge to profit or loss for the year (Note 24)	106,323	6,292	(70,041)	42,574
At December 31, 2018	<u>1,091,041</u>	<u>(36,249)</u>	<u>713,522</u>	<u>1,768,314</u>

## 18 SHARE CAPITAL

	<b>Group and Company</b>			
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Number of ordinary shares</b>		<b>\$</b>	<b>\$</b>
Issued and paid up:				
At the beginning and end of the year	<u>235,000,000</u>	<u>235,000,000</u>	<u>11,350,674</u>	<u>11,350,674</u>

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.

## 19 RESERVES

	<b>Group</b>			<b>Company</b>		
	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>January 1, 2017</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>January 1, 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Foreign currency translation reserve <sup>(a)</sup>	307,510	319,299	340,332	–	–	–
Capital reserve <sup>(b) (c)</sup>	445,326	420,327	12,116	588,357	588,357	–
	<u>752,836</u>	<u>739,626</u>	<u>352,448</u>	<u>588,357</u>	<u>588,357</u>	<u>–</u>

(i) Movement in foreign currency translation reserve:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
At beginning of the year	319,299	340,332
Other comprehensive loss	(11,789)	(21,033)
At end of the year	<u>307,510</u>	<u>319,299</u>

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 19 RESERVES (CONTINUED)

(ii) Movement in capital reserve:

	Group		Company	
	2018 \$	2017 \$	2018 \$	2017 \$
At beginning of the year	420,327	12,116	588,357	–
Transaction with owners	24,999	408,211	–	588,357
At end of the year	<u>445,326</u>	<u>420,327</u>	<u>588,357</u>	<u>588,357</u>

- (a) 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.
- (b) Capital reserve at the Group level represents the gain on acquisition/disposal of additional interest in subsidiaries from/to non-controlling interest shareholders.
- (c) Capital reserve at the Company level represents the fair value of 20% of the issued and paid-up share capital of WFA given to the owners/founders of Ascendo Group as part of the acquisition of 60% shareholdings in Ascendo Group by WFE in previous year. Management had assessed the fair value of 20% of the issued and paid-up share capital of WFA, of which the present value of the forecasted cashflow was discounted at 16.12%, resulting in a deemed interest of \$588,357.

## 20 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major revenue streams which is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 29).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2018 \$	2017 \$
<b>Timing of revenue recognition</b>		
At a point in time:		
Engineering		
– Equipment sales	30,302,466	44,392,747
– Repairs and servicing	10,619,652	11,906,900
– Projects	5,488,941	7,292,729
	<u>46,411,059</u>	<u>63,592,376</u>
Training	<u>10,043,666</u>	<u>3,733,775</u>
	<u>56,454,725</u>	<u>67,326,151</u>

The Group has applied the practical expedient under SFRS(I) 15 of not disclosing the information about the remaining performance obligations in relation to contracts entered with customers for sale of cranes and other truck-mounted equipment as the Group recognises revenue when the Group has a right to consideration in an amount that corresponds directly with the value of the items delivered to date.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 21 OTHER OPERATING INCOME

	Group	
	2018	2017
	\$	\$
Bad debts recovered	459	100
Commission income	85,208	70,274
Gain on disposal of property, plant and equipment	55,680	–
Gain on disposal of intangible assets	18,000	–
Gain on foreign exchange – net	–	153,152
Interest income	126,836	30,213
Government grants	769,826	322,857
Rental income	–	1,791
Others	257,010	137,900
	<u>1,313,019</u>	<u>716,287</u>

## 22 OTHER OPERATING EXPENSES

	Group	
	2018	2017
	\$	\$
Insurance	265,028	285,676
Professional fees	543,929	761,378
Rental expenses	675,042	421,212
Repair and maintenance	500,164	512,653
Marketing expense	150,335	135,366
Entertainment expense	120,446	140,642
Loss on foreign exchange – net	94,489	–
Allowance for doubtful debts – trade	358,077	13,719
Allowance for doubtful debts – non-trade	113,281	114,250
Bad debts written off – trade	15,250	43,552
Property, plant and equipment written off	655	22,519
Loss on disposal of property, plant and equipment	–	1,390
Inventories written off	59,591	93,638
Other expenses	1,244,984	1,149,768
	<u>4,141,271</u>	<u>3,695,763</u>

## 23 FINANCE COSTS

	Group	
	2018	2017
	\$	\$
Interest on obligations under finance leases	19,253	30,488
Interest on bank borrowings	193,574	196,157
Fair value changes on contingent consideration	152,131	–
Others	48,209	67,531
	<u>413,167</u>	<u>294,176</u>

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 24 INCOME TAX EXPENSE

	Group	
	2018 \$	2017 \$
Current tax expense	472,335	684,820
Adjustment in respect of pre-acquisition	–	(25,154)
(Over) Under provision in respect of prior years		
– current tax	(54,951)	(591,153)
– deferred tax	16,585	463,905
Deferred tax (Note 17)	25,989	49,272
	<u>459,958</u>	<u>581,690</u>

Domestic income tax is calculated at 17% (2017: 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	
	2018 \$	2017 \$
Profit before tax	<u>3,224,694</u>	<u>4,825,734</u>
Income tax expenses calculated at 17% (2017: 17%)	548,199	820,375
Effect of different tax rates of subsidiaries operating in other jurisdictions	14,971	(5,073)
Tax effect of items that are non-deductible in determining taxable profits	210,097	122,353
Effect of tax incentives	(88,722)	(201,389)
Tax-exempt income and tax rebates	(115,246)	(42,952)
Over provision of tax in respect of prior years	(38,366)	(127,248)
(Utilisation of) deferred tax assets not recognised	(51,840)	26,880
Others	(19,135)	(11,256)
	<u>459,958</u>	<u>581,690</u>

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.

	Group		
	Deductible temporary differences \$	Unutilised tax losses \$	Total \$
At January 1, 2017	3,915,000	2,650,000	6,565,000
Adjustment during the year	(1,458,000)	–	(1,458,000)
Addition during the year	–	112,000	112,000
At December 31, 2017	2,457,000	2,762,000	5,219,000
Adjustment during the year	(2,241,000)	(112,000)	(2,353,000)
Reduction during the year	(216,000)	–	(216,000)
At December 31, 2018	<u>–</u>	<u>2,650,000</u>	<u>2,650,000</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 25 PROFIT FOR THE YEAR

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

	Group	
	2018	2017
	\$	\$
Depreciation and amortisation		
– Depreciation of property, plant and equipment	1,860,902	1,761,760
– Amortisation of intangible assets	415,578	70,020
Employment benefits – directors of the Company		
– Short term benefits	1,177,064	1,277,827
– Defined contribution plans	45,802	45,350
Employment benefits – directors of subsidiaries		
– Short term and other long term benefits	1,689,769	1,109,942
– Defined contribution plans	160,059	106,253
Directors' fees		
– Directors of the Company	160,808	94,658
– Director of a subsidiary	1,673	1,607
Employee benefit expense (including directors' remuneration)		
– Defined contribution plans	1,230,151	1,217,700
– Others	13,970,636	12,455,895
Audit fees		
– paid to auditors of the Company	161,500	145,000
– paid to other auditors	8,400	6,400
Non-audit fees		
– paid to auditors of the Company	21,400	59,700
– paid to other auditors	1,300	1,300
Cost of inventories recognised as an expense	30,230,413	42,707,362
Reversal of allowance for inventories	(4,582)	(408)
Inventories written off	59,591	93,638
Allowance for doubtful debts – trade	358,077	13,719
Allowance for doubtful debts – non-trade	113,281	114,250
Bad debts written off – trade	15,250	43,552
(Gain) Loss on disposal of property, plant and equipment	(55,680)	1,390
Property, plant and equipment written off	655	22,519
Gain on disposal of intangible assets	(18,000)	–
Intangible assets written off	2,750	–
Loss (Gain) on foreign exchange – net	94,489	(153,152)
Fair value changes on derivative financial instruments	832	2,744
Impairment of goodwill	1,167	–

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 26 DIVIDEND

### December 31, 2018

- The Company declared and paid one-tier tax exempt final dividend of \$0.0036 per share (total of \$846,000) to the shareholders of the Company in respect of financial year ended December 31, 2017. The dividend has been paid on May 18, 2018.

### December 31, 2017

- The Company declared and paid one-tier tax exempt final dividend of \$0.003 per share (total of \$705,000) to the shareholders of the Company in respect of financial year ended December 31, 2016. The dividend has been paid on May 22, 2017.

In respect of the current financial year, the directors proposed that final and special dividends of \$0.0038 and \$0.0013 respectively to be paid to the shareholders. The dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. The total estimated final and special dividends to be paid are \$893,000 and \$305,500 respectively.

## 27 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

	Group	
	2018	2017
	\$	\$
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	<u>669,616</u>	<u>414,488</u>

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

	Group	
	2018	2017
	\$	\$
Within one year	696,268	347,324
In the second to fifth years inclusive	1,585,349	961,681
After five years	<u>5,169,329</u>	<u>5,329,656</u>
	<u>7,450,946</u>	<u>6,638,661</u>

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 the landlord.

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

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 28 COMMITMENTS

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

	Group	
	2018	2017
	\$	\$
Capital expenditure commitment	142,900	–

## 29 SEGMENT INFORMATION

In prior years, segment information reported was analysed based on the types of goods and services supplied (i.e., equipment sales, repairs and servicing, projects and training). As the training segment expands and had grown to become a substantial part of the Group's business, the Group had decided to reorganise and revise its segmental presentation to engineering and training segments to be more reflective of the basis of resource allocation and assessment of segment performance by the Group's chief operating decision makers. Accordingly, comparative figures have been adjusted to conform to the current year's reporting segments.

### 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Engineering	46,411,059	63,592,376	1,094,226	4,891,970
Training	10,043,666	3,733,775	2,473,101	553,418
	56,454,725	67,326,151	3,567,327	5,445,388
Employee benefit expense <sup>(i)</sup>			–	(294,794)
Other operating expenses <sup>(i)</sup>			(34,811)	(60,897)
Share of loss from associate			(21,491)	–
Interest income			126,836	30,213
Finance costs			(413,167)	(294,176)
Profit before tax			3,224,694	4,825,734
Income tax expense			(459,958)	(581,690)
Profit for the year			2,764,736	4,244,044

(i) Pertains mainly to research and development related expenses.

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of research and development related expenses, share of results from associate and joint venture, interest income, finance costs, and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 29 SEGMENT INFORMATION (CONTINUED)

### Segment assets

	December 31, 2018	Group December 31, 2017	January 1, 2017
	\$	\$	\$
Engineering	47,690,212	49,708,054	51,704,087
Training	11,523,252	9,301,223	604,377
Total segment assets	59,213,464	59,009,277	52,308,464
Unallocated assets	15,192,681	15,386,108	14,175,724
Consolidated total assets	74,406,145	74,395,385	66,484,188

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

All assets are allocated to reportable segments other than group entities that are investment holding in nature (Note 12) and investment in associate and joint venture (Note 13). Goodwill has been allocated to the training segment. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments. Liabilities are not allocated as they are not monitored by the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

### Other segment information

	Group		Additions to non-current assets	
	Depreciation and amortisation 2018	2017	2018	2017
	\$	\$	\$	\$
Engineering	1,630,056	1,666,289	192,822	241,789
Training	646,424	165,491	454,065	6,367,873
Total	2,276,480	1,831,780	646,887	6,609,662

### Geographical information

The Group's operations are carried out predominately in Singapore (country of domicile), except for three (2017: four) subsidiaries operating in Malaysia, Hong Kong, PRC and Myanmar.

During the year, the Group's revenue attributed to customers located in Singapore constitutes approximately 90% (2017: 91%), with the remaining revenue attributed to customers from foreign countries.

### Information about major customers

In 2018, included in revenues arising from engineering segment of \$47,690,000 are revenues of approximately \$5,912,000 which arose from sale to the Group's largest customer.

In 2017, no single customer accounted for more than 10% of the Group's total revenue. The top five customers represented 20% of the Group's total revenue.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 30 EARNINGS PER SHARE

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

	Group	
	2018	2017
	\$	\$
Earnings per ordinary share ("EPS")		
Profit attributable to owners of the Company	<u>2,260,381</u>	<u>4,253,467</u>
Weighted average number of ordinary shares for purpose of earnings per share	<u>235,000,000</u>	<u>235,000,000</u>
EPS – Basic and diluted (cents)	<u>0.96</u>	<u>1.81</u>

There were no dilutive equity instruments for 2018 and 2017.

## 31 ACQUISITION OF SUBSIDIARIES

### December 31, 2018

On March 18, 2018, the Group acquired 100% of the issued share capital of Smatra Training Hub Pte. Ltd. ("STH") for cash consideration of \$1.

STH is an entity incorporated in Singapore and its principal activity is that of providing safety, quality consultancy, management services, training and education services. The Group has acquired STH to further boost its existing training and consultancy business.

### **Assets acquired and liability assumed at the date of acquisition**

	March 18, 2018 \$
<b>Current assets</b>	
Cash and cash equivalents	22,057
Trade and other receivables, net of allowance	2,001
<b>Current liability</b>	
Trade and other payables	<u>(25,224)</u>
Net liabilities assumed	(1,166)
Total consideration	<u>(1)</u>
Goodwill arising on acquisition of subsidiary	<u>1,167</u>

The results of STH were included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Net cash inflow on acquisition of subsidiary

	<b>Total \$</b>
Cash and cash equivalent of STH acquired	22,057
Less: Consideration paid in cash	(1)
	<u>22,056</u>

### December 31, 2017

On August 31, 2017, the Group acquired 96,000 ordinary shares in Ascendo International Holdings Pte. Ltd. from its owners/founders, representing 60% of the issued and paid-up ordinary share capital, for a consideration of \$4,371,127.

The acquisition of Ascendo International Holdings Pte. Ltd. and its subsidiaries ("Ascendo Group") was accounted for by the acquisition method of accounting and fair value of assets and liabilities are disclosed below.

The Group had acquired Ascendo Group to complement and further boost its existing training and consultancy business; to establish its market presence and expand its market share in Singapore and potentially derive synergies within the Group.

### Assets acquired and liabilities assumed at the date of acquisition

	<b>August 31, 2017 \$ (Restated)</b>
<b>Current assets</b>	
Cash and cash equivalents	793,496
Trade and other receivables, net of allowance	925,530
<b>Non-current assets</b>	
Property, plant and equipment	54,827
Intangible assets	4,609,191
<b>Current liabilities</b>	
Trade and other payables	(454,712)
Income tax payable	(25,155)
<b>Non-current liabilities</b>	
Deferred tax liability	<u>(783,563)</u>
Assets acquired net of liabilities assumed	<u>5,119,614</u>

The receivables acquired (which principally comprised trade receivables) in the above acquisition with a fair value of \$925,530 had gross contractual amounts of \$925,530. The best estimate at acquisition date of the contractual cash flows not expected to be collected was \$Nil.

The results of Ascendo Group were included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Non-controlling interest

The non-controlling interest (40%) in Ascendo Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$2,047,845.

### Goodwill arising on acquisition of subsidiaries

	<b>Total \$ (Restated)</b>
Total consideration	4,371,127
Add: Non-controlling interest	2,047,845
Less: Fair value of identifiable net assets acquired	<u>(5,119,614)</u>
Goodwill arising on acquisition (Note 11)	<u>1,299,358</u>

### Net cash outflow on acquisition of subsidiaries

	<b>Total \$</b>
Consideration paid in cash <sup>(1)</sup>	(1,600,000)
Less: Ascendo Group's cash and cash equivalent balances acquired	<u>793,496</u>
	<u>(806,504)</u>

(1) Of the total consideration of \$4,371,127, \$2,182,770 remained unpaid as at December 31, 2017 and was included in other payables in Note 14. The remaining balance of \$588,357 pertained to the fair value of 20% issued and paid-up share capital of WFA (Note 12).

### Impact of acquisition on the results of the Group

Included in the profit for the year 2017 was a profit of \$67,195 attributable to the subsidiary corporations acquired. Revenue for the year 2017 contributed by the subsidiary corporations from the acquisition date up to the financial year end amounted to approximately \$1,164,000 after eliminating for intercompany sales.

Had the business combination been effected at January 1 2017, the impact on revenue and the profit of the Group for 2017 would have been approximately \$3,568,000 and \$467,900 respectively.

# NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

## 32 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) (“SFRS(I)”) for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are not presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017) as there were no changes compared to amounts previously reported.

There is no change to the Group’s and the Company’s previous accounting policies under FRS on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time.

There is no material adjustment on the initial transition to the new Framework as: (i) management has not elected to take up any transition exemptions under SFRS(I) 1; (ii) the application of the SFRS(I) 9 impairment requirements has not resulted in any material adjustment to allowance recognised; and (iii) no changes to the revenue recognition policy was assessed to be required upon application of SFRS(I) 15.

## 33 COMPARATIVE FIGURES

Prior year adjustments have been made to the statement of financial position of the Group for the financial year ended December 31, 2017. On August 31, 2017, the Group acquired 60% shareholdings in Ascendo Group. Under SFRS(I) 3, the Group has a one year period from acquisition date to complete its accounting for this business combination. As at December 31, 2017, the fair value of identifiable net assets acquired were determined on a provisional basis and were finalised during the year. As a result, the provisional amounts recognised in the statement of financial position of the Group at the acquisition date have been retrospectively adjusted. There is no impact on the profit or loss and other comprehensive income of the Group.

	Group	
	Previously reported \$	Restated \$
<u>Statement of financial position</u>		
Intangible assets	3,546,353	5,849,944
Deferred tax liabilities	942,177	1,725,740
Non-controlling interests	(14,674)	1,505,354

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

## 34 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncement was issued but not effective and is expected to have an impact to the Group and the Company in the periods of their initial application.

### **SFRS(I) 16 Leases<sup>(1)</sup>**

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 are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

Management anticipates that the initial application of the new SFRS(I) 16 will result in changes to the accounting policies relating to operating leases, where the Group is a lessee. As at December 31, 2018, the Group has certain non-cancellable operating lease commitments as disclosed in Note 27 to the financial statements. Under the new SFRS(I) 16, a leased asset will be recognised on statement of financial position, representing the Group's right to use the leased asset over the lease term and, recognise a corresponding liability to make lease payments.

(1) Effective for annual periods beginning on or after January 1, 2019

# SHAREHOLDING STATISTICS

AS AT 15 MARCH 2019

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

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2019, approximately 22.12% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Catalist Rules has been complied with.

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	12	3.12	5,800	0.00
1,001 – 10,000	97	25.19	690,700	0.29
10,001 – 1,000,000	266	69.09	26,143,300	11.13
1,000,001 and above	10	2.60	208,160,200	88.58
	<b>385</b>	<b>100.00</b>	<b>235,000,000</b>	<b>100.00</b>

## TOP 21 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	WONG FONG INVESTMENTS PTE LTD	158,280,000	67.35
2	LEE TECK LEONG	19,200,000	8.17
3	LEE CHONG SENG	11,520,000	4.90
4	UOB KAY HIAN PTE LTD	6,797,900	2.89
5	KOH BOON HWEE	3,200,000	1.36
6	LEW SIEW CHENG	3,069,000	1.31
7	PE KOK BOON	1,800,000	0.77
8	TAN ENG HUI	1,800,000	0.77
9	DBS NOMINEES PTE LTD	1,283,400	0.55
10	NG ENG SENG	1,209,900	0.51
11	HAN SEE KWANG	800,000	0.34
12	SIM SEM PENG	800,000	0.34
13	WHANG CHIN KEONG	700,000	0.30
14	SIONG BENG SENG	600,000	0.26
15	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	598,100	0.25
16	HAN DONGCHOU	550,000	0.23
17	TEHC INTERNATIONAL PTE LTD	530,000	0.23
18	ADAM PEH KIAN BENG	500,000	0.21
19	ER KEE SING	500,000	0.21
20	POH CHOON KAH	500,000	0.21
21	WONG KOH HOI	500,000	0.21
		<b>214,738,300</b>	<b>91.37</b>

# SHAREHOLDING STATISTICS

AS AT 15 MARCH 2019

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of shares	Percentage (%)	No. of Shares	Percentage (%)
Wong Fong Investments Pte. Ltd.	158,280,000	67.35	–	–
Lee Teck Leong	19,200,000	8.17	–	–
Liew Ah Kuie <sup>(1)</sup>	–	–	158,280,000	67.35
Liew Khuen Choy <sup>(2)</sup>	–	–	158,280,000	67.35
Jimmy Lew Holding Pte. Ltd. <sup>(3)</sup>	–	–	158,280,000	67.35
Liew Chern Yean <sup>(4)</sup>	–	–	158,280,000	67.35
Lew Chern Yong (Liu Zhengrong) <sup>(4)</sup>	–	–	158,280,000	67.35
Ng Thye Eng <sup>(5)</sup>	140,000	0.06	158,280,000	67.35

### Notes:

- (1) Liew Ah Kuie holds approximately 27.96% of the issued and paid-up share capital in Wong Fong Investments Pte. Ltd. (“**Wong Fong Investments**”), which in turn holds 158,280,000 shares in the Company. Accordingly, Liew Ah Kuie is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the Securities and Futures Act (Cap. 289) (“**SFA**”).
- (2) Liew Khuen Choy holds approximately 22.37% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 158,280,000 shares in the Company. Accordingly, Liew Khuen Choy is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.
- (3) Jimmy Lew Holding Pte. Ltd. (“**Jimmy Lew Holding**”) holds approximately 40.39% of the issued and paid-up share capital in Wong Fong Investments, which in turn holds 158,280,000 shares in the Company. Accordingly, Jimmy Lew Holding is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.
- (4) Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) each holds 25% of the issued and paid-up share capital in Jimmy Lew Holding, which in turn is deemed interested in the 158,280,000 shares held by Wong Fong Investments. Accordingly, Liew Chern Yean and Lew Chern Yong (Liu Zhengrong) are deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA.
- (5) Ng Thye Eng holds 20% of the issued and paid-up share capital in Jimmy Lew Holding, which in turn is deemed interested in the 158,280,000 shares held by Wong Fong Investments. Accordingly, Ng Thye Eng is deemed to be interested in the 158,280,000 shares held by Wong Fong Investments pursuant to Section 4 of the SFA. Ng Thye Eng is the spouse of the late Lew Kit Foo @ Liew Foo who ceased to be a substantial Shareholder subsequent to his demise on 10 August 2018.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (“**AGM**”) of **Wong Fong Industries Limited** (the “**Company**”) will be held at 79 Joo Koon Circle, Singapore 629107 on Monday, 29 April 2019 at 2.00 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 2018 (“**FY2018**”) together with the auditor’s report thereon. **(Resolution 1)**
2. To declare a first and final tax exempt (one-tier) dividend of 0.38 Singapore cents per ordinary share, and a special tax exempt (one-tier) dividend of 0.13 Singapore cents per ordinary share for FY2018. **(Resolution 2)**
3. To re-elect Mr Wong Chit Chong who is retiring in accordance with Regulation 114 of the Company’s constitution (“**Constitution**”).  
[See Explanatory Note (i)] **(Resolution 3)**

*To note the retirement of Mr Lee Yong Soon and Mr Tan Soon Liang retiring pursuant to Regulation 114 of the Constitution. Mr Lee Yong Soon and Mr Tan Soon Liang will not be seeking re-election and will retire as directors of the Company on 29 April 2019 at the conclusion of AGM.*

4. To approve the sum of S\$153,616.44 as Directors’ fees for the financial year ending 31 December 2019 and the payment thereof on a semi-annually in arrears. **(Resolution 4)**
5. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. To transact any other business that may be transacted at an AGM.

## **As Special Business**

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without modifications:

### **7. Authority to allot and issue shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 (“**Companies Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”) and the Constitution, authority be and is hereby given to the directors of the Company (“**Directors**”) to (i) allot and issue new ordinary shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 100% of the total number of issued share capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing shareholders (“**Shareholders**”) shall not exceed 50% of the total number of issued share capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below);

# NOTICE OF ANNUAL GENERAL MEETING

- (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 share capital of the Company (excluding treasury shares and subsidiary holdings) at the time of passing of this resolution, after adjusting for (i) new Shares arising from the conversion or exercise of the Instruments or any convertible securities; (ii) new Shares arising from exercising of any share options or vesting of share awards outstanding and/or subsisting at the time of passing of this resolution provided that such options or awards (as the case may be) were granted in compliance with the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares;
- (c) in exercising such authority conferred by this resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being; and
- (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next AGM; or (ii) the date by which the next AGM is required by law to be held, whichever is earlier.
- [See Explanatory Note (ii)] **(Resolution 6)**

## 8. Authority to grant awards and issue Shares pursuant to the Wong Fong Performance Share Plan

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to:

- (i) offer and grant awards ("**Awards**") from time to time in accordance with the provisions of the Wong Fong Performance Share Plan (the "**PSP**"); and
- (ii) allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the vesting of Awards granted under the PSP,

provided always that the aggregate number of Shares issued and issuable pursuant to the Awards granted under the PSP, when added to (i) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (ii) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed 15% of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 7)**

By Order of the Board

Sharon Yeoh  
Company Secretary

Singapore, 12 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory notes on ordinary resolutions to be passed:

- (i) **Resolution 3** – Detailed information on Mr Wong Chit Chong can be found in the Company’s annual report 2018. Mr Wong Chit Chong, if re-elected as a Director, will remain as the chairman of the Nominating and Remuneration Committees and a member of the Audit Committee. Mr Wong Chit Chong is considered independent by the board of directors of the Company for the purposes of Rule 740(7) of the Catalist Rules. There are no relationships including family relationships between Mr Wong Chit Chong and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.
- (ii) **Resolution 6** in item 7 above, if passed, will empower the Directors to allot and issue Shares and convertible securities in the Company up to an amount not exceeding 100% of the total number of issued share capital of the Company (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 share capital of the Company (excluding treasury shares and subsidiary holdings).
- (iii) **Resolution 7** in item 8 above, if passed, will empower the Directors to offer and grant Awards under the PSP, and to allot and issue Shares pursuant to the vesting of Awards granted under the PSP, provided that the aggregate number of Shares issued and issuable pursuant to the PSP, when added to (i) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (ii) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed 15% of the total number of issued share capital of the Company (excluding treasury shares and subsidiary holdings) 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.



**WONG FONG INDUSTRIES LIMITED**(Incorporated in the Republic of Singapore)  
(Company Registration No. 201500186D)**IMPORTANT**

1. A relevant intermediary may appoint more than two 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** 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 Monday, 29 April 2019 at 2.00 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*
<b>AS ORDINARY BUSINESS</b>			
1	Directors' statement and the audited financial statements of the Company for the financial year ended 31 December 2018 together with the auditor's report thereon		
2	Payment of first and final tax exempt (one-tier) dividend of 0.38 Singapore cents per ordinary share, and special tax exempt (one-tier) dividend of 0.13 Singapore cents per ordinary share for the financial year ended 31 December 2018		
3	Re-election of Mr Wong Chit Chong as a Director		
4	Approval of Directors' fees for the financial year ending 31 December 2019		
5	Re-appointment of Deloitte & Touche LLP as auditors		
<b>AS SPECIAL BUSINESS</b>			
6	Authority to allot and issue shares in the capital of the Company		
7	Authority to grant awards and issue shares pursuant to the PSP		

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

Dated this \_\_\_\_\_ day \_\_\_\_\_ of 2019

**Total Number of Shares Held**

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 \_\_\_\_\_  
 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, 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, Chapter 50 of Singapore, 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 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.
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 AGM, 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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2019.



## Singapore

### **WONG FONG ENGINEERING WORKS (1988) PTE. LTD.**

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

### **WONG FONG PRODUCTION FACILITY**

16 Tuas Avenue 6, Singapore 639303  
Tel: (65) 6863 0063

### **WONG FONG ACADEMY PTE. LTD.**

79 Joo Koon Circle, Singapore 629107  
Tel: (65) 6863 3686 Fax: (65) 6863 3885  
www.wfa.sg

### **ASCENDO INTERNATIONAL HOLDINGS PTE. LTD.**

9 Little Road, #02-01, Singapore 536985  
Tel: (65) 6398 0067 Fax: (65) 6309 0503  
www.ascendo.sg

## Malaysia

### **CE ASIA HEAVY MACHINERY SDN BHD**

No. 21, Jalan Kempas Utama 3  
Kempas Utama Industrial Park  
81200 Johor Bahru, Johor, Malaysia  
Tel: (60) 7559 0188 Fax: (60) 7559 0272  
www.ceasia.my

## Myanmar

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

Bldg(F), Rm(101), Thudamar 1st Street  
Thumingalar Housing, Thingangyun  
Yangon, Myanmar  
Tel/Fax: (95) 1 571 159



[WWW.WONGFONGINDUSTRIES.COM](http://WWW.WONGFONGINDUSTRIES.COM)