

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		Increase/ (Decrease) %
	HY2018 S\$'000	HY2017 S\$'000	
Revenue	24,318	28,057	(13.3)
Other operating income	611	189	223.3
Changes in inventories of finished goods and work-in-progress	1,600	832	92.3
Materials and consumables used	(14,902)	(19,824)	(24.8)
Employee benefits expense	(6,745)	(5,970)	13.0
Depreciation expense	(930)	(868)	7.1
Other operating expenses	(2,160)	(1,513)	42.8
Finance costs	(246)	(149)	65.1
Profit before tax	1,546	754	105.0
Income tax expense	(63)	(73)	(13.7)
Profit for the period	1,483	681	117.8
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Exchange differences on translation of foreign operations	(100)	4	NM
Other comprehensive income for the period, net of tax	(100)	4	NM
Total comprehensive income for the period	1,383	685	101.9
Profit (Loss) attributable to:			
Owners of the Company	931	712	30.8
Non-controlling interests	552	(31)	NM
	1,483	681	117.8
Total comprehensive income (loss) attributable to:			
Owners of the Company	866	715	21.1
Non-controlling interests	517	(30)	NM
	1,383	685	101.9

NM: Not meaningful

1(a)(ii) Notes to combined statements of profit or loss and other comprehensive income. The group's profit before tax was arrived at after crediting / (charging) the following:

	GROUP		
	HY2018 S\$'000	HY2017 S\$'000	Increase/ (Decrease) %
Allowance for doubtful debts – trade and non-trade	(227)	17	NM
Allowance for inventories and inventories written off	(37)	-	NM
Impairment of goodwill	(1)	-	NM
Depreciation of property, plant and equipment	(930)	(868)	7.1
Gain disposal of property, plant and equipment	29	-	NM
Amortisation of intangible assets	(225)	(1)	NM
Property, plant and equipment written off	(1)	(13)	(92.3)
Government grants	314	92	241.3
Finance cost	(246)	(149)	65.1
Rental expense	(306)	(180)	70.0
Overprovision of tax in respect of prior year	13	-	NM
Gain (Loss) on foreign exchange - net	63	(33)	NM
(Loss) Gain on fair value change on derivative financial instruments	(11)	35	NM

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 30 Jun 2018 S\$'000	As at 31 Dec 2017 S\$'000	As at 30 Jun 2018 S\$'000	As at 31 Dec 2017 S\$'000
ASSETS				
Current assets				
Cash and bank balances	21,430	25,592	11,687	14,864
Trade and other receivables	10,454	10,774	2,097	133
Inventories	12,577	11,014	-	-
Total current assets	44,461	47,380	13,784	14,997
Non-current assets				
Property, plant and equipment	20,674	21,166	-	-
Intangible asset	3,337	3,546	-	-
Investment in subsidiaries	-	-	3,564	3,564
Investment in associate ⁽¹⁾	-	-	-	-
Investment in joint venture ⁽¹⁾	-	-	-	-
Total non-current assets	24,011	24,712	3,564	3,564
Total assets	68,472	72,092	17,348	18,561
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	11,349	14,725	279	258
Finance leases	187	211	-	-
Bank borrowings	828	982	-	-
Derivative financial instruments	11	1	-	-
Income tax payable	396	612	-	-
Total current liabilities	12,771	16,531	279	258
Non-current liabilities				
Other payables	1,089	1,066	-	-
Deferred tax liabilities	932	942	-	-
Finance leases	174	267	-	-
Bank borrowings	4,957	5,274	-	-
Total non-current liabilities	7,152	7,549	-	-
CAPITAL AND RESERVES				
Share capital	11,351	11,351	11,351	11,351
Accumulated profits	36,021	35,936	5,130	6,364
Reserves	700	740	588	588
Equity attributable to owners of the Company	48,072	48,027	17,069	18,303
Non-controlling interests	477	(15)	-	-
Total equity	48,549	48,012	17,069	18,303
Total equity and liabilities	68,472	72,092	17,348	18,561

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

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,015	-	1,193	-

Amount repayable after one year

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,131	-	5,541	-

Details of any collateral

- (i) The Group's bank borrowings are secured by a corporate guarantee and the Group's land and buildings; and
- (ii) The Group's finance leases are secured by a corporate guarantee and the lessors' title to the leased assets.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	HY2018 S\$'000	HY2017 S\$'000
Operating activities		
Profit before taxation	1,546	754
Adjustments for:		
Depreciation expense	930	868
Amortisation of intangible asset	225	1
Impairment of goodwill	1	-
Property, plant and equipment written off	1	13
Gain on disposal of property, plant and equipment	(29)	-
Allowance for doubtful debts	227	(17)
Interest expense	216	116
Interest income	(43)	-
Fair value changes on derivative financial instruments	11	(35)
Allowance for inventories and inventories written off	37	-
Reversal of allowance for inventories	(2)	-
Operating cash flows before movements in working capital	3,120	1,700
Inventories	(1,575)	(828)
Trade and other receivables	147	1,542
Trade and other payables	(3,683)	(320)
Cash flows (used in) generated from operations	(1,991)	2,094
Income tax paid	(288)	(238)
Net cash (used in) generated from operating activities	(2,279)	1,856
Investing activities		
Purchase of property, plant and equipment	(362)	(643)
Purchase of intangible assets	(15)	-
Interest received	43	-
Net cash used in investing activities	(334)	(643)
Financing activities		
Dividends paid	(846)	(705)
Interest paid	(110)	(116)
Repayment of bank borrowings	(505)	(546)
Repayment of obligations under finance leases	(119)	(183)
Net cash used in financing activities	(1,580)	(1,550)
Net decrease in cash and cash equivalents	(4,193)	(337)
Cash and cash equivalents at beginning of year	25,392	20,569
Effect of foreign exchange rate changes	31	(7)
Cash and cash equivalents at end of period⁽¹⁾	21,230	20,225

⁽¹⁾ Excludes pledged fixed deposit of S\$0.2 million (HY2017: S\$0.2 million).

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital S\$'000	Accumulated profits S\$'000	Reserves S\$'000	Equity attributable to owners of the Company S\$'000	Non- controlling interests S\$'000	Total S\$'000
Balance as at January 1, 2018	11,351	35,936	740	48,027	(15)	48,012
Transactions with owners, recognised directly in equity:						
Non-controlling interest shareholders	-	-	25	25	(25)	-
Dividends paid	-	(846)	-	(846)	-	(846)
Total	-	(846)	25	(821)	(25)	(846)
Total comprehensive income for the period:						
Profit for the period	-	931	-	931	552	1,483
Other comprehensive loss for the period	-	-	(65)	(65)	(35)	(100)
Total	-	931	(65)	866	517	1,383
Balance as at June 30, 2018	11,351	36,021	700	48,072	477	48,459
Balance as at January 1, 2017	11,351	32,388	352	44,091	(765)	43,326
Transactions with owners, recognised directly in equity:						
Non-controlling interest shareholders	-	-	-	-	57	57
Dividends paid	-	(705)	-	(705)	-	(705)
Total	-	(705)	-	(705)	57	(648)
Total comprehensive income for the period:						
Profit (Loss) for the period	-	712	-	712	(31)	681
Other comprehensive income for the period	-	-	3	3	1	4
Total	-	712	3	715	(30)	685
Balance as at June 30, 2017	11,351	32,395	355	44,101	(738)	43,363

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Company	Share capital S\$'000	Accumulated profits S\$'000	Reserves S\$'000	Total S\$'000
Balance as at January 1, 2018	11,351	6,364	588	18,303
Transaction with owners, recognised directly in equity:				
Dividends paid	-	(846)	-	(846)
Loss for the period, representing total comprehensive income for the period	-	(388)	-	(388)
Balance as at June 30, 2018	11,351	5,130	588	17,069
Balance as at January 1, 2017	11,351	4,757	-	16,108
Transaction with owners, recognised directly in equity:				
Dividends paid	-	(705)	-	(705)
Loss for the period, representing total comprehensive income for the period	-	(181)	-	(181)
Balance as at June 30, 2017	11,351	3,871	-	15,222

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the corresponding period immediately preceding financial year.

	Number of shares	Issued and paid-up share capital S\$
Balance as at 31 December 2017 and 30 June 2018	235,000,000	11,350,674

There were no outstanding options, convertibles or treasury shares held by the Company or subsidiary holdings as at 30 June 2017 and 30 June 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 Jun 2018	As at 31 Dec 2017
Total number of issued shares excluding treasury shares	235,000,000	235,000,000

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no treasury shares held by the Company.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no subsidiary holdings.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted Singapore Financial Reporting Framework (International) ("**SFRS(I)**"), a new financial reporting framework identical to International Financial Reporting Standards on 1 January 2018.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of SFRS (I) has no material impact on the financial statements of the Group.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	HY2018	HY2017
Profit attributable to owners of the Company (S\$'000)	931	712
Weighted average number of shares ('000)	235,000	235,000
Basic and diluted earnings per share (cents)	0.40	0.30

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30 Jun 2018	As at 31 Dec 2017	As at 30 Jun 2018	As at 31 Dec 2017
Net asset value (S\$'000)	48,072	48,027	17,069	18,303
Number of shares ('000)	235,000	235,000	235,000	235,000
Net asset value per share (cents)	20.46	20.44	7.26	7.79

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

REVIEW OF INCOME STATEMENT

Revenue decreased by S\$3.7 million or 13.3% from S\$28.0 million in HY2017 to S\$24.3 million in HY2018. This was mainly attributable to a decrease in revenue from Equipment Sales and Repairs and Servicing of S\$7.0 million and S\$0.9 million respectively, partially offset by an increase in revenue from Projects and Training of S\$0.4 million and S\$3.8 million respectively. The decrease in revenue from Equipment Sales and Repairs and Servicing was due to a challenging business environment and increased competition from new market entrants. The increase in revenue from Projects was due to an increase in equipment units being completed and delivered. The increase in revenue from Training was due to an increase in WDA approved programs being secured and 6-month revenue contribution from our newly acquired 60%-owned subsidiary, Ascendo International Holdings Pte Ltd ("**Ascendo**").

Other operating income increased by S\$0.4 million or 223.3% from S\$0.2 million in HY2017 to S\$0.6 million in HY2018 mainly due to increase in government grants and fixed deposit income.

Changes in inventories of finished goods and work-in-progress, as well as materials and consumables used, decreased by S\$5.7 million or 30.0% from S\$19.0 million in HY2017 to S\$13.3 million in HY2018 which is consistent with the decrease in revenue from Equipment Sales.

Employee benefits expense increased by S\$0.8 million or 13.0% from S\$6.0 million in HY2017 to S\$6.8 million in HY2018 mainly due to the additional headcount arising from the acquisition of Ascendo.

Depreciation expense remained comparable to prior period with a marginal increase of S\$0.06 million or 7.1% from S\$0.87 million in HY2017 to S\$0.93 in HY2018.

Other operating expenses increased by S\$0.7 million or 42.8% from S\$1.5 million in HY2017 to S\$2.2 million in HY2018 mainly due to (a) an increase in rental expense due to new rental spaces for industrial training purposes, (b) an increase in amortisation of intangible assets due to our newly acquired 60%-owned subsidiary, Ascendo, and (c) an increase in allowance of doubtful debts.

Finance costs increased by S\$0.1 million or 65.1% from S\$0.15 million in HY2017 to S\$0.25 million in HY2018 mainly due to implied interest of contingent consideration payable to the founders for the acquisition of Ascendo.

As a result of the foregoing, profit after tax increased by S\$0.8 million or 117.8% from S\$0.7 million in HY2017 to S\$1.5 million in HY2018.

REVIEW OF FINANCIAL POSITION

The Group's current assets decreased by S\$2.9 million or 6.2% from S\$47.4 million as at 31 December 2017 to S\$44.5 million as at 30 June 2018, mainly due to a decrease in cash and bank balances of S\$4.2 million, a decrease in trade and other receivables of S\$0.3 million and partially offset by an increase in inventories of S\$1.6 million.

The Group's non-current assets decreased by S\$0.7 million or 2.8% from S\$24.7 million as at 31 December 2017 to S\$24.0 million as at 30 June 2018, mainly due to a decrease in intangible assets of S\$0.2 million and a decrease in property, plant and equipment of S\$0.5 million. The decrease in intangible assets and property, plant and equipment was due to amortisation and depreciation during the period respectively. Properties are stated at historical cost.

The Group's current liabilities decreased by S\$3.7 million or 22.7% from S\$16.5 million as at 31 December 2017 to S\$12.8 million as at 30 June 2018, mainly due to (a) a decrease in trade and other payables of S\$3.4 million, (b) a decrease in income tax payable of S\$0.2 million, and (c) a decrease in bank borrowings of S\$0.1 million.

The Group's non-current liabilities decreased by S\$0.3 million or 5.3% from S\$7.5 million as at 31 December 2017 to S\$7.2 million as at 30 June 2018, mainly due to repayment of bank borrowings of S\$0.3 million.

REVIEW OF CASH FLOWS

In HY2018, we generated net cash from operating activities before changes in working capital of S\$3.1 million. Net cash used in working capital amounted to S\$5.1 million mainly due to an increase in inventories of S\$1.5 million, a decrease in trade and other payables of S\$3.7 million and partially offset by a decrease in trade and other receivables of S\$0.1 million. We also paid income tax of S\$0.3 million. As a result, net cash used in operating activities amounted to S\$2.3 million.

Net cash used in investing activities amounted to S\$0.3 million in HY2018, mainly for purchase of property, plant and equipment during the period.

Net cash used in financing activities amounted to S\$1.6 million in HY2018, mainly due to payment of dividends of S\$0.8 million, interest payment of S\$0.1 million and repayment of bank borrowings and finance leases of S\$0.6 million.

As a result of the above, the Group's cash and cash equivalents decreased by S\$4.2 million to S\$21.2 million in HY2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

With regards to the Equipment Sales business, the demand for new equipment is expected to remain subdued in Singapore as a result of the challenging business environment and newly introduced Euro 6 emission standards (effective in January 2018). Repairs and Servicing business is expected to remain stable. Barring any unforeseen external developments, the slowdown in the Equipment Sales business in Singapore is expected to be mitigated by the increasing sales in the Group's Myanmar and Malaysia subsidiaries.

The Training business continues to successfully expand both in the industrial and hospitality industries. The Training business further expanded its course offerings with the 100% acquisition of Smatra Training Hub Pte Ltd ("**Smatra**") in March 2018. Smatra's principal activities are safety, quality consultancy, management services, training and education services. In addition, Ascendo had also further expanded its suite of services to provide staffing solutions for the hospitality industry. The Group intends to allocate more resources to the Training business and expects it to continue to be a key profit contributor to the Group in the next 12 months.

Though the Group anticipates 2018 to be a challenging year, we expect overall business to remain stable and profitable barring any unforeseen circumstances. The Group will continue to closely monitor and streamline its operations to meet current demands whilst actively looking out for strategic alliances both in and outside Singapore.

11. Dividend

(a) Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year?

Nil

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the period under review.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions. There was no interested person transaction of S\$100,000 or more for HY2018.

14. Confirmation by the issuer pursuant to Rule 720(1)

The Company has procured the undertakings from all its Directors and executive officers as required under Rule 720(1) of the Catalist Rules.

15. Negative confirmation by the Board pursuant to Rule 705(5)

The Board confirms that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results of the Group for HY2018 to be false or misleading in any material aspect.

16. Use of IPO proceeds

The Company received net proceeds from the IPO of S\$8.3 million (the “**Net Proceeds**”). As at the date of this announcement, the Net Proceeds have been fully utilised as follows:

Purpose	Allocation of Net Proceeds (as disclosed in the offer document)	Net Proceeds utilised as at the date of this announcement	Balance of Net Proceeds as at the date of this announcement
	S\$'000	S\$'000	S\$'000
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 ⁽¹⁾	2,800	(2,800)	-
	<u>8,300</u>	<u>(8,300)</u>	<u>-</u>

Note:

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

BY ORDER OF THE BOARD

James Liew
Deputy Chairman and Managing Director

Eric Lew
Executive Director

17 August 2018

*This announcement has been prepared by Wong Fong Industries Limited (“**Company**”) and its contents have been reviewed by the Company’s sponsor, United Overseas Bank Limited (“**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 announcement.*

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

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