

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

**PROPOSED ACQUISITION OF 60% INTEREST
IN ASCENDO INTERNATIONAL HOLDINGS PTE. LTD.**

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Wong Fong Industries Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Wong Fong Engineering Works (1988) Pte. Ltd. (“**WFE**”), had on 16 August 2017, entered into a sale and purchase agreement (“**SPA**”) with Seah Boon Kheng and Tay Shau Yin (collectively, the “**Founders**”) to acquire an aggregate of 96,000 ordinary shares (“**Sale Shares**”) in the share capital of Ascendo International Holdings Pte. Ltd. (“**Ascendo International**”), representing 60% of the issued and paid-up share capital of Ascendo International (“**Proposed Acquisition**”).

2. INFORMATION ON ASCENDO INTERNATIONAL AND THE FOUNDERS

Ascendo International was incorporated in Singapore on 18 July 2017 and is the holding company of Ascendo Consulting Pte. Ltd. (“**ACPL**”), Ascendo Group International Pte. Ltd. and Ascer Pte. Ltd. (“**APL**”) (collectively, with Ascendo International, the “**Target Group**”).

The principal activities of Ascendo International are to carry on, through the Target Group, the business activities of hospitality consulting and training in safety-related services, mainly in the areas of workplace safety, security, food hygiene, and food and beverage in Singapore and Myanmar.

The Target Group through ACPL currently offers 36 Workforce Skills Qualifications (“**WSQ**”) course modules and is an Approved Training Organisation (“**ATO**”) under SkillsFuture Singapore.

Based on the unaudited financial statements for the financial year ended 31 December 2016 (“**FY2016**”), the net tangible asset value of the Target Group was approximately S\$2.3 million and the net profits of the Target Group was approximately S\$1.0 million. No independent valuation was conducted on the Target Group.

As at the date hereof, Ascendo International has an issued and paid-up share capital of S\$160,000 comprising 160,000 ordinary shares. The shareholding structure of Ascendo International, immediately before and after the Proposed Acquisition is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Seah Boon Kheng	50%	20%
Tay Shau Yin	50%	20%
WFE	-	60%
Total	100%	100%

The Founders, Seah Boon Kheng and Tay Shau Yin, have between them more than 40 years of specialist experience in training, consulting, food and workplace safety and customer service processes.

Before founding the Target Group, Seah Boon Kheng held senior management positions in training, food safety and customer service processes. He is a master trainer and holds a Diploma in Adult Continuing Education (“**DACE**”) and an Advance Certificate in Training and Assessment.

Tay Shau Yin has over 20 years of experience in technical consulting and provides consultancy services for training management, business planning, Hazard Analysis and Critical Control Point, ISO22000, ISO9000 and ISO17025. She is a technical assessor with Singapore Accreditation Council. She is also DACE qualified and holds a Master of Business Administration from the National University of Singapore and a Bachelor of Science in Microbiology from the University of Texas (USA).

None of the Founders is related to the Directors or controlling shareholders of the Company and their respective associates. As at the date of this announcement, each Founder has an interest in 100,000 shares in the Company.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Conditions precedent

Pursuant to the SPA, completion of the Proposed Acquisition is conditional upon, *inter alia*, the following:

- (a) completion of a business, legal and financial due diligence exercise on the Target Group by WFE and its representatives and advisers, and the results of such exercise being satisfactory to WFE in its absolute discretion;
- (b) completion of the disposal of the investments held by ACPL pursuant to (i) the sale and purchase agreement dated 3 October 2013 entered into between Property Barons Pte Ltd and ACPL; and (ii) the redeemable corporate bond agreement dated 27 May 2015 entered into between Lighthouse Liberty Ltd and ACPL, to the Founders for the aggregate cash consideration of S\$260,000, on terms and conditions satisfactory to WFE in its absolute discretion;
- (c) the unencumbered and earned cash collected by ACPL as at 31 May 2017 from the accounts receivables balance of ACPL as at 31 December 2016 (“**2016 Accounts Receivables**”) having been paid out to the Founders in the form of dividends, and all other cash collected by ACPL on or after 1 June 2017 from the 2016 Accounts Receivables remaining in the bank balance(s) of ACPL;
- (d) receipt by WFE of such approvals, consents and waivers as may be necessary to enable WFE to be registered as holders of the Sale Shares, including without limitation letters of waivers executed by each Founder waiving any and all rights of pre-emption or rights of first refusal which he or she has (or may have) with respect to the transfer to WFE of the Sale Shares, whether pursuant to the constitution of Ascendo International, by contract or otherwise;
- (e) receipt by the Founders of such approvals, consents and waivers as may be necessary to enable the Founders to be registered as holders of the WFA Consideration Shares (as defined below), including without limitation letters of waivers executed by shareholders of WFA (as defined below) waiving any and all rights of pre-emption or rights of first refusal which he or she has (or may have) with respect to the issuance and allotment of the WFA Consideration Shares to the Founders, whether pursuant to the constitution of WFA, by contract or otherwise;
- (f) all other necessary approvals, consents, waivers, licences, authorisations, orders, grants, confirmations, permissions and/or registrations (“**Approvals**”), for the Proposed Acquisition and the transactions contemplated under the SPA being obtained, and not withdrawn or amended, on or before completion date, and if such Approval(s) is subject to any condition(s) or restriction(s), such condition(s) or restriction(s) being acceptable to WFE in its absolute discretion; and

- (g) compliance with all applicable requirements as prescribed under the Listing Manual Section B: Rules of Catalist of the SGX-ST (“**Catalist Rules**”) in relation to the Proposed Acquisition and if necessary, obtaining approval from the SGX-ST in relation to the Proposed Acquisition.

If any of the conditions precedent is not fulfilled or waived by WFE on or before the completion date, the SPA shall *ipso facto* cease and determine and none of the parties to the SPA shall have any claim against the others for costs, damages, compensation or otherwise, save for, amongst others, any claim by WFE against the Founders arising from a breach of their undertakings to procure fulfilment of certain conditions precedent.

3.2 Consideration

The aggregate consideration for the Proposed Acquisition is up to S\$4,000,002 (“**Consideration**”) comprising:

- (a) an amount of S\$1,600,000 in cash (“**Cash Consideration**”) payable on Completion (as defined below);
- (b) an amount of S\$2.00 to be satisfied by the issuance and allotment of, in aggregate, 250,000 new ordinary shares in the share capital of Wong Fong Academy Pte. Ltd. (“**WFA**”) (“**WFA Consideration Shares**”) representing 20% of the enlarged issued and paid-up share capital of WFA to the Founders, credited as fully paid-up within 28 days from completion date; and
- (c) any Earn-Out Monies (as defined below) of up to S\$2,400,000, if any, payable in the manner illustrated in paragraph 3.3 below.

The Cash Consideration and the Earn-Out Monies will be funded by proceeds from the Company’s initial public offering and internal resources.

The Consideration was determined based on arm’s length negotiations between WFE and the Founders and was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, purchase of a majority stake in the Target Group, positive operating cashflow of the Target Group, profitability of the Target Group, the Target Group’s established presence in Myanmar, synergies of the Target Group with WFA and leadership position of the Target Group in the industry it operates in.

3.3 Earn-Out Monies

In the event that the audited consolidated profit after tax of the Target Group (“**PAT**”) in each of the financial years ending 31 December 2017 (“**FY2017**”), 31 December 2018 (“**FY2018**”) and 31 December 2019 (“**FY2019**”) respectively is equal to or more than S\$500,000, WFE shall in respect of each such financial year pay an amount of S\$800,000 (“**Earn-Out Monies**”) to the Founders in proportion to the Sale Shares sold by them respectively, after the PAT has been ascertained at the end of each of FY2017, FY2018 and FY2019, provided always that a Founder shall not be entitled to any Earn-Out Monies in respect of a particular financial year if, during such financial year (a) such Founder has ceased to be in the employment of Ascendo International; or (b) such Founder has given or has been given a notice of termination or cessation of employment with Ascendo International for any reason whatsoever.

In the event that the PAT for any of FY2017, FY2018 and FY2019 is less than S\$500,000, the Founders shall not be entitled to any of the Earn-Out Monies for the particular financial year.

In the event the Put Option (as defined below) and/or the Call Option (as defined below) is exercised by WFE, the Founders jointly and severally undertake to return to WFE all Earn-Out Monies that have been paid to them as at the date of exercise of the Put Option and/or the Call Option (as the case may be) within 14 days.

To the extent that the exercise of the Put Option and/or the Call Option is prior to any of FY2017, FY2018 and/or FY2019, no Earn-Out Monies or further Earn-Out Monies in respect of such financial years shall be payable, regardless of the PAT for such financial years.

3.4 Put Option and Call Option

Pursuant to the put and call option agreement (“**Put and Call Option Agreement**”) entered into between WFE, Ascendo International and the Founders on 16 August 2017, should (a) APL fails to renew its existing employment agency license (“**APL License**”) for a further period of at least 12 months; (b) ACPL fails to obtain an extension or renewal of its status as an ATO by SkillsFuture Singapore in relation to Workforce Skills Qualifications Food Hygiene/ Food and Beverage Services/ Occupational Hygiene/ Other Generic Courses and bizSAFE courses (“**ACPL Status**”) for a further term of at least 18 months; or (c) a termination for any reason whatsoever of the existing or renewed APL License or, existing or extended/ renewed ACPL Status, the Company will be able to exercise a put option and/or call option as described below.

Under the Put and Call Option Agreement:

- (a) Ascendo International and the Founders have granted to WFE a put option (“**Put Option**”) to sell to Ascendo International and/or the Founders (as the case may be) all of the Sale Shares at S\$16.6666 per Sale Share; and
- (b) the Founders have granted to WFE a call option (“**Call Option**”) to purchase from the Founders all of the WFA Consideration Shares at an aggregate nominal consideration of S\$1.00.

The Put Option and/or the Call Option may be exercisable by WFE during the period commencing from the date of the Put and Call Option Agreement and expiring on the first anniversary date.

3.5 Shareholders agreement

In connection with the Proposed Acquisition, a shareholders agreement relating to Ascendo International will on Completion be entered into by WFE with the Founders and Ascendo International to, *inter alia*, regulate their relationships *inter se* and the conduct of the business and affairs of Ascendo International.

3.6 Service agreement with Ascendo International

Each Founder has also entered into a service agreement with Ascendo International for an initial term of three (3) years unless earlier determined pursuant to the provisions of the service agreement and shall be automatically renewed on a year-to-year basis on the same terms and conditions set out in the service agreement, or on such terms and conditions as Ascendo International and each Founder may mutually agree.

3.7 Completion

Subject to the fulfilment or waiver of the conditions precedent to the SPA, completion of the Proposed Acquisition is expected to take place on 1 September 2017 or such other date as WFE and the Founders may mutually agree in writing (“**Completion**”).

4. RATIONALE

The Proposed Acquisition will enable the Group to expand its training business. In November 2016, WFA was appointed as a Public Training Organisation by SkillsFuture Singapore. In May 2017, WFA was one of only 12 training service providers to successfully secure the Call For Proposal 2 training curriculum. WFA currently offers 16 WSQ courses and upon Completion, the Group will be able to provide over 50 WSQ courses to the public.

The Directors believe that with the Proposed Acquisition, the Group will be able to harness administrative and operational efficiencies when combined with WFA. It is also expected that the Group will start to consolidate its start-up operations with the Target Group's training business in Myanmar. Last but not least, the Proposed Acquisition would enable the Group to cross-sell its engineering, waste management and other services to the hospitality industry including hospitals, hotels and food chains.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after Completion.

The pro forma financial effects have been computed based on (a) the audited consolidated financial statements of the Group for FY2016; and (b) the unaudited financial statements of the Target Group for FY2016.

5.1 Net tangible assets per share

Assuming that the Proposed Acquisition had been completed on 31 December 2016, the effects of the Proposed Acquisition on the Group's net tangible assets per share as at 31 December 2016 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net tangible assets (S\$)	44,085,499	45,443,299
Number of shares	235,000,000	235,000,000
Net tangible assets per share (cents)	18.8	19.3

5.2 Earnings per share

Assuming that the Proposed Acquisition had been completed on 1 January 2016, the effects of the Proposed Acquisition on the Group's earnings per share for FY2016 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$)	3,581,053	4,209,253
Weighted average number of shares	235,000,000	235,000,000
Earnings per share (cents)	1.5	1.8

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 30 June 2017 ("HY2017") and the unaudited financial statements of the Target Group for HY2017, the relative figures of the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	91.6 ⁽¹⁾
(c)	Aggregate value of the Consideration, compared with the Company's market capitalisation	8.5 ⁽²⁾
(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable

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| (e) | Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves | Not applicable |
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Notes:

- (1) The Group's profit before tax for HY2017 was approximately S\$754,000. The Target Group's profit before tax for HY2017 was approximately S\$691,000.
- (2) The Company's market capitalisation of approximately S\$47.0 million was computed based on the Company's existing issued and paid-up share capital of 235,000,000 shares and the volume-weighted average price of S\$0.1998 per share on 15 August 2017, being the last market day preceding the date of the SPA on which the Company's shares were traded.

Based on the above, the Proposed Acquisition constitutes a "discloseable transaction" under Rule 1010 of the Catalist Rules.

7. SERVICE AGREEMENT

No person is proposed to be appointed as a Director in connection with the Proposed Acquisition. Accordingly, no service agreement is proposed to be entered into between the Company and any such person.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Acquisition, save through their respective shareholdings in the Company (if any).

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

10. DOCUMENTS FOR INSPECTION

A copy of the following documents are available for inspection during normal business hours at the registered office of the Company at 79 Joo Koon Circle Singapore 629107 for a period of three (3) months from the date of this announcement:

- (a) the SPA; and
- (b) the Put and Call Option Agreement.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcements to keep shareholders informed, as and when there are further material updates and developments in respect of the Proposed Acquisition.

12. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors should note that completion of the Proposed Acquisition is subject to fulfilment of various conditions as set out in the SPA. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Lew Kit Foo @ Liew Foo
Executive Chairman
16 August 2017

This announcement 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 (the "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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