

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

THE SKILLSFUTURE SINGAPORE AGENCY SUSPENDS ASCER PTE. LTD. FOR 12-MONTH FROM ALL ITS FUNDING SCHEMES – SGX QUERIES

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used in this announcement shall bear the same meanings ascribed to them in the Company's announcement dated 29 April 2020 in relation to the Ascer Suspension ("**Announcement**").

Further to the Announcement, the Board of Wong Fong Industries Limited wishes to provide the following additional information in response to the queries raised by the SGX-ST.

Question 1

Please provide details on the breaches discovered by the SSG. What are the lapses highlighted by the SSG?

The Company's response:

The 4 breaches highlighted by the SSG are as follows:

- a) Incorrect working hours declaration resulting in an extra 2.5 working hours for each trainee in 4 Employer-Sponsored training grant claims resulting in excess absentee payroll grant disbursed to Ascer;
- b) Submission of 1 trainee who was not an employee of Ascer resulting in wrongful disbursement of course fee and absentee payroll grant to Ascer;
- c) Funded course(s) may not be relevant to the trainees' current role and as such, the respective claims are deemed to be ineligible for funding; and
- d) Ascer had submitted Full-Fee Employer-Sponsored training claims without having made the full Funded Course fee payment to the training organization prior to claims submission to the SSG and as such, the respective claims are ineligible for funding.

Question 2

What is the quantum of the breach in claims submission?

The Company's response:

Based on the above-mentioned breaches discovered by the SSG, the SSG has disallowed Ascer's grant claims amounting to approximately S\$516,000.

The Group's Training Business recorded total revenue of approximately S\$13,500,000 for the financial year ended 31 December 2019 ("**FY2019**"). Ascer's revenue for FY2019 was approximately S\$401,000 or approximately 3.0% of the Group's Training Business turnover.

Question 3

Other than the restitution payment of S\$101,000 which the Company has made to SSG, what are the possible actions which SSG may take against the Group?

The Company's response:

Other than the restitution payment of approximately S\$101,000 and the 12-month suspension, the SSG has informed that they reserve all rights to take any other action available to the SSG, which include enforcement proceedings or suspension of Ascer, director(s) or shareholder(s) from the SSG's funding schemes, for future breach of any of the funding Terms and Conditions.

Question 4

What led to the SSG conducting an audit and assessment on Ascer Pte Ltd?

The Company's response:

We understand that the audit conducted by the SSG was part of their internal workplan.

Question 5

Was the Group's Training Business subject to annual internal audit?

The Company's response:

Yes, the Group's Training Business is subject to annual internal audit, the last audit was carried out in October 2019 with a follow-up in February 2020.

Question 6

What caused the breach?

The Company's response:

The breaches were due to an inadvertent procedural and administrative oversight by Ascer's management team.

Question 7

What is the AC's view on whether controls over the Group's Training Business are adequate and effective?

The Company's response:

The AC agreed with the findings of both the independent internal and external auditors that the controls over the Group's Training Business are adequate and effective. In fact, in the most recently concluded internal audit, the AC had requested the internal auditors to pay special attention on grants for the Group's Training Business and compliance with terms and conditions set by the relevant funding agencies. The grant and funding compliance checks for the Group's Training Business are carried out by the independent internal auditors. The management of Ascer had implemented corrective actions to rectify all key findings noted in the internal audit report. As such, the AC is of the view that the internal controls over the Group's Training Business are adequate and effective.

Notwithstanding and subsequent to the lapses discovered by the SSG, the Company had implemented additional rectification control measures as mentioned in Question 9 below.

Question 8

What is the Sponsor's view on whether controls over the Group's Training Business are adequate and effective?

The Sponsor's response:

The Sponsor noted that the breaches mainly pertained to transactions conducted by Ascer in 2017 and 2018. We understand from the management that various measures have been implemented to improve the internal controls of Ascer. The Group's Training Business has also been subject to internal control review by the internal auditors. In this regard, the Sponsor has reviewed the internal audit report for the Group's Training Business in October 2019 and the follow-up review report in February 2020 and noted that measures addressing the key findings highlighted by the internal auditors had been implemented. The Sponsor had also held discussions with the internal auditor and the Chairman of the AC to understand how the breaches arose and the additional measures that would be implemented to prevent a recurrence of such breaches (as set out below). In view of the aforesaid factors, the Sponsor believes that the internal controls of the Group's Training Business are adequate and effective.

Question 9

What rectification measures have the Board put in place to address the lapses highlighted by SSG?

The Company's response:

The following measures have been implemented by Ascer's management team to address the lapses:

SSG Lapses	Rectification Measures
Incorrect declaration of working hours for training grant claims	All data will be checked and sign-off by the Supervisor/Manager prior to its submission to ensure accuracy and completeness
Submission of a training grant claim for a non-employee	All data will be checked and sign-off by the Supervisor/Manager prior to its submission to ensure accuracy and completeness
Making claims for a course which may not be relevant to the employee's current role	All cross training of Ascer staff within the scope of hospitality services had ceased. Training will only be provided specifically for the employee's current role
Failure to make full Funded Course fee payment to the Training Organization for "Full Fee Courses" prior to submission of claims	Prior to submission of claims, a pre-claim check will be done by the staff to ensure that all training payments relating to the claim had been duly made

Question 10

How does the Board/AC ensure that the lapses do not recur again?

The Company's response:

The Board and the AC will review the scope of the upcoming internal audit plan for the financial year ending 31 December 2020 to ensure that the above-mentioned measures have been effected across all training business entities. Findings from the internal audit will be communicated directly to the AC.

Question 11

Does the Group have to seek SSG approval after the 12 months' suspension period, to be eligible for funding schemes in future?

The Company's response:

Yes, the SSG will have to approve Ascer's future participation in all its funding schemes after the 12-month suspension.

By Order of the Board

Pao Kiew Tee
Independent Chairman
29 April 2020

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 Rules 226(2) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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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