

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
HTMI HOTEL AND TOURISM MANAGEMENT INSTITUTE 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 subsidiary, Ascendo International Holdings Pte. Ltd. (“**Ascendo**”), had on 25 May 2020, entered into a sale and purchase agreement (“**SPA**”) with Ian Robert James Larmour (the “**Vendor**”) to acquire an aggregate of 1,934,000 ordinary shares (“**Sale Shares**”) in the share capital of HTMi Hotel and Tourism Management Institute Pte. Ltd. (“**Target**”), representing 100% of the issued and paid-up share capital of the Target (“**Proposed Acquisition**”). The Proposed Acquisition is subject to the approval by shareholders of the Company (“**Shareholders**”) in an extraordinary general meeting (“**EGM**”). Please refer to paragraph 5 of this announcement for further details.

2. INFORMATION ON THE TARGET AND THE VENDOR

2.1 Information on the Target

The Target is an exempt private company incorporated in Singapore on 26 February 2015. As at the date hereof, the Target has an issued and paid-up share capital of S\$1,934,000 comprising 1,934,000 ordinary shares. The Vendor is the legal and beneficial owner of the entire issued and paid-up share capital of the Target.

The Target is a private higher education institute for the hospitality and tourism industry. It is registered with the Council of Private Education and has been granted the EduTrust Award under the EduTrust Certification Scheme. The Target operates a commercial school for hotel and tourism management education and offers higher education managerial programmes and courses under the HTMi brand, with students of different nationalities. The Target adopts its programmes and curriculums from HTMi Switzerland AG (“**HTMi Switzerland**”) and the Vendor, who is the managing director and founder of HTMi Switzerland, will be serving as a consultant and advisor to the Target after completion of the Proposed Acquisition.

Based on the unaudited management accounts of the Target for the financial year ended 31 March 2020, the net tangible liabilities and net liability value of the Target were approximately S\$17,000 and S\$136,000 respectively, and the net profit of the Target was approximately S\$3,398,000, following waiver of related party loans extended to the Target in the aggregate amount of approximately S\$4,671,000 as at 31 March 2020 (collectively, the “**Loans**”). Ascendo would not have proceeded with the Proposed Acquisition if the Loans have not been waived. No independent valuation was conducted on the Target.

For illustrative purpose only, assuming that the Loans had not been waived, the net tangible liabilities and net liability value of the Target would have been approximately S\$4,688,000 and S\$4,807,000 respectively, and the net loss of the Target would have been approximately S\$1,273,000.

2.2 Information on the Vendor

The Vendor has more than 30 years of experience in the hospitality industry, and is the founder, developer and operator of a number of brands in the hospitality industry. The Vendor was previously the European Development Director for restaurant, hotel and bar brands owned by Scottish and Newcastle PLC, and is currently the Chief Executive Officer of Swiss Hospitality Group International, HTMi Hotel and Tourism Management Institute Switzerland and

Swisstouches Hotels and Resorts, and Chairman of the International Project Development Consortium for real estate projects in China. The Vendor holds a Master of Business Administration from Bath University, United Kingdom.

HTMi Switzerland (which operates under the trade name of “HTMi Hotel and Tourism Management Institute Switzerland”) is a company incorporated in Switzerland and is engaged in the business of the operation of a commercial school offering higher education programmes and courses for hotel and tourism management education. As at the date hereof, the Vendor is the legal and beneficial owner of the entire issued and paid-up share capital of HTMi Switzerland. HTMi Switzerland currently has over 2,000 students enrolled in its higher education courses globally, and was ranked amongst the top 20 in the world by the 2020 QS World University Rankings in Hospitality and Leisure Management.

The Vendor is not related to the Directors or controlling shareholders of the Company and their respective associates. As at the date of this announcement, the Vendor does not have any interest in the shares of the Company.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration

The aggregate consideration for the Proposed Acquisition is S\$150,000 (“**Consideration**”) in cash, payable on completion.

The Consideration was determined based on arm’s length negotiations between Ascendo and the Vendor and was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the purchase of a 100% stake in the Target, profitability of the Target, the Target’s established presence in Singapore, synergies of the Target with Ascendo’s current business and leadership position of the Target in the hotel and tourism industry.

Pursuant to the terms of the SPA, in addition to the Consideration, Ascendo shall be liable for all operational expenses of the Target from 1 April 2020 (“**Operational Expenses**”). Assuming completion is effected on 1 July 2020, such Operational Expenses is estimated to be approximately S\$400,000.

The Consideration and the Operational Expenses will be funded by the Company’s internal resources and/or bank borrowings.

3.2 Conditions precedent

Pursuant to the SPA, completion of the Proposed Acquisition is conditional upon, *inter alia*, the following matters being satisfied or waived in accordance with the SPA:

- (a) completion of a business, legal and financial due diligence exercise on the Target by Ascendo and its representatives and advisers, and the results of such exercise being satisfactory to Ascendo in its absolute discretion;
- (b) compliance with all applicable requirements as prescribed under the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”) in relation to the Proposed Acquisition and obtaining approval from the shareholders of the Company (“**Shareholders**”) and the SGX-ST (to the extent required) in relation to the Proposed Acquisition;
- (c) all 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, and all Approvals which are material for the carrying on of the business of the Target immediately after completion being granted by all third parties including all governmental authorities, to Ascendo, the Vendor and the Target (as the case may be), 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 Ascendo in its absolute discretion;

- (d) finalisation of an academic cooperation agreement in relation to training and education programmes offered by the Target ("**Academic Cooperation Agreement**"), on terms mutually acceptable to Ascendo and the Vendor, to be entered into between the Target and HTMi Switzerland;
- (e) finalisation of a global development agreement in relation to the international expansion of HTMi Switzerland ("**Global Development Agreement**"), on terms mutually acceptable to Ascendo and the Vendor, to be entered into between Ascendo and HTMi Switzerland; and
- (f) all existing and outstanding liabilities of the Target, including but not limited to any related party loans which have been extended to or by the Target, having been fully settled to the satisfaction of Ascendo in its absolute discretion.

If any of the conditions precedent is not fulfilled or waived by Ascendo 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 other party for costs, damages, compensation or otherwise, save for, amongst others, any claim by Ascendo against the Vendor arising from a breach of its undertaking to procure fulfilment of certain conditions precedent. For the purposes of this paragraph, "completion date" means 1 July 2020 or such other date as the parties may mutually agree in writing.

3.3 Right of first refusal

Pursuant to the terms of the SPA, in the event that prior to completion there is any intention and/or discussion relating, directly or indirectly, to the sale of any debt, equity or assets of HTMi Switzerland ("**Proposed Sale**"), the Vendor shall forthwith notify Ascendo in writing of the Proposed Sale (including details such as a description and amount of the debt/ equity/ assets proposed to be sold, the terms of the Proposed Sale, the identity of the proposed purchaser(s) and the purchase price) and Ascendo shall be entitled to a right of first refusal to participate in the Proposed Sale on terms no less favourable than that being offered by the proposed purchaser(s).

3.4 Academic Cooperation Agreement and Global Development Agreement

Under the terms of the SPA, it is a condition precedent that the Academic Cooperation Agreement and the Global Development Agreement be finalised, and that each of these agreements to be entered into between (i) the Target and HTMi Switzerland, and (ii) Ascendo and HTMi Switzerland, respectively, on completion.

3.5 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 July 2020 or such other date as Ascendo and the Vendor may mutually agree in writing.

4. RATIONALE

The Proposed Acquisition is well-placed in the strategic roadmap for the Group's training and education business. It is the Group's first venture into the private education sector and offers key international partnership opportunities with institutes of higher education, universities and colleges. The Target's business will complement the Continuing Education and Training course offerings by the Group's training entities which should enable the Group to offer more specialised courses and diplomas.

The Proposed Acquisition will also enable the Group to diversify its training and talent management businesses, and further expand the scope of training provided by the Group's training business to the public. In addition to industrial and hospitality training, the Group aims to provide tertiary training in the hotel and tourism management segment upon completion of the Proposed Acquisition.

If expansion and diversification into the Target's business is to be done organically within the Group, the management estimates that it would entail more time and resources to obtain the requisite licences and accreditations and assemble a competent team. The Directors believe that the Proposed Acquisition will enable the Group to further diversify and expand its training business and harness the administrative and operational efficiencies within the Group.

The Board is therefore of the view that the Proposed Acquisition is in the best interests of the Group and its Shareholders as it may lead to potential growth of the Group's training business.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

Based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 December 2019 ("FY2019") and the unaudited management accounts of the Target for the financial year ended 31 March 2020, 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	119.6 ⁽¹⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	2.0 ⁽²⁾⁽³⁾
(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
(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

Notes:

(1) The Group's profit before income tax, minority interests and extraordinary items for FY2019 was approximately S\$2,841,000. The Target's profit before income tax, minority interests and extraordinary items for the financial year ended 31 March 2020 was approximately S\$3,398,000. Assuming that the Loans had not been waived, the Target would have a net loss of approximately S\$1,273,000. Ascendo would not have proceeded with the Proposed Acquisition if the Loans have not been waived.

(2) Based on (i) the aggregate of the Consideration of S\$150,000, the Operational Expenses of approximately S\$400,000 and net liability value of approximately S\$136,000, and (ii) the Company's market capitalisation of S\$34,075,000. Assuming that the Loans had not been waived, the Target would have a net liability value of approximately S\$4,807,000. Ascendo would not have proceeded with the Proposed Acquisition if the Loans have not been waived.

(3) The Company's market capitalisation 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\$0.1450 per share on 15

May 2020, being the last market day preceding the date of the SPA on which the Company's shares were traded.

Notwithstanding the above, as the Target's net loss (assuming that the Loans had not been waived) exceeds 10% of the Group's consolidated net profits, pursuant to paragraph 4.6 of Practice Note 10A of the Catalyst Rules, the Proposed Acquisition is deemed a "major transaction" and Rule 1014 of the Catalyst Rules shall apply. The Company will be seeking approval of Shareholders at an EGM to be convened.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

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

The financial effects have been computed based on the following:

- (a) the audited consolidated financial statements of the Group for FY2019; and
- (b) the unaudited management accounts of the Target for the financial year ended 31 March 2020.

6.1 Net tangible assets per share

Assuming that the Proposed Acquisition had been completed on 31 December 2019, the effects of the Proposed Acquisition on the Group's net tangible assets per share as at 31 December 2019 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net tangible assets (S\$'000)	45,369	45,352
Number of shares ('000)	235,000	235,000
Net tangible assets per share (cents)	19.31	19.30

6.2 Earnings per share

Assuming that the Proposed Acquisition had been completed on 1 January 2019, the effects of the Proposed Acquisition on the Group's earnings per share for FY2019 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$'000)	2,267	5,665
Weighted average number of shares ('000)	235,000	235,000
Earnings per share (cents)	0.96	2.41

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 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. EGM AND CIRCULAR TO SHAREHOLDERS

The Directors will be convening an EGM to seek the approval of Shareholders for the Proposed Acquisition as a “major transaction”. A circular to Shareholders containing, *inter alia*, the notice of EGM and the relevant information on the Proposed Acquisition, will be made available to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the circular.

10. 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.

11. DOCUMENT FOR INSPECTION

A copy of the SPA is 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.

12. 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.

13. 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 and there is no certainty or assurance that the Proposed Acquisition will be completed. 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

Liew Ah Kuie
Co-Founder and Group Chief Executive Officer
26 May 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 Catalyst.

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 accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this announcement.

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.