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

RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

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 address questions received from shareholders of the Company prior to the upcoming annual general meeting for its financial year ended 31 December 2019 and the extraordinary general meeting to be held on 25 June 2020, which will be broadcast through a virtual platform.

<u>Question 1 related to Covid-19:</u>

How much has the group's revenue and profit decreased for the year-to-date period?

Has the company seen, or expect, a significant increase in bad debts?

The Company's response:

Due to the various restrictions imposed to curb the spread of Covid-19 including reduced manpower staffing and implementation of Circuit Breaker measures, the Group's revenue decreased as compared to the same period last year. Whilst we are experiencing longer payment lead times from some customers, the Group is currently not expecting a significant increase in bad debt. However, we are currently unable to accurately quantify the specific impact of Covid-19 on the financial performance of the Group.

The Group will be releasing its financial results for the six-month period ended 30 June 2020 by 14 August 2020 and further information will be disclosed in the financial results announcement.

<u>Question 2 related to Engineering Business:</u>

Does the company think that the recent entrants into the lorry crane market will pose a credible long-term threat?

What are the company's strategies of growing the engineering business, in the next few years?

The Company's response:

We believe that the Group has established a reputation as one of the leading engineering specialists in Singapore with a strong background in load handling systems and waste management systems. This is achieved through consistently providing our customers with high quality products, innovative solutions as well as efficient services. Although lorry cranes is an important part of our business, we carry a wide array of products ranging from equipment and components and engineering solutions for load handling systems (such as truck-mounted cranes, hookloaders and special purpose vehicles), waste management systems, assistive technology and mobility aids catering to the various industries that our customers operate in. This coupled with the experience and technical capabilities of our in-house engineering team enables us to provide a one-stop solution to our customers for their product and service requirements. We have established one of the largest service centres for truck-mounted cranes and hookloaders in Singapore to ensure a high level of responsiveness to our customers which we believe greatly enhances our competitive edge.

Notwithstanding the above, we take all competition seriously. In an increasingly competitive and disruptive business landscape, we believe that technology and innovation will remain integral to the long term sustainability of our businesses. As such, the engineering business will continue to explore and evaluate the introduction of more products into the markets, including incorporating self-monitoring analysis and reporting technology (SMART) technology and Internet of Things into the products and solutions we offer.

In addition, we are actively evaluating horizontal and vertical supply chain integration. By doing so, we envisage the Group to be the vendor of choice for all vehicle upper body chassis and equipment integration works for load and waste management solutions. We have recently established a 24/7 mobile servicing team to support our customers in the field to further improve our responsiveness to customers' needs. We are also working closely with companies in the artificial intelligence and robotics fields to evaluate possible integration with our existing engineering solutions.

Question 3 related to Training Business:

The company's proposed acquisition (HTMI) has been suffering large losses in its previous years. What were the reasons for these losses, and why does Wong Fong think it can turn the business around?

Can the company elaborate on how it plans to ensure that HTMI does not impair the results of the group?

Does the suspension of Skillsfuture funding to Ascer have an impact on the group's ability to continue its recruitment and placement business?

The group acquired Educare, and is proposing to acquire HTMI, through its 60% subsidiary Ascendo. Why does the group not wish to own 100% of these businesses? Are there intentions to acquire the remaining 40% of Ascendo, in the future?

The Company's response:

The Company plans to continue diversifying and expanding its training business including the private education segment. The Group intends to achieve this through collaboration, partnership and strategic investments. If the Group were to organically start its own private education business, management estimates that it would consume substantially more time and financial resources to obtain the requisite licenses and accreditations and assemble a competent team. Hence, the proposed acquisition of HTMi Hotel and Tourism Management Institute Pte. Ltd. ("**HTMi Singapore**") would enable the Group to accelerate its plans and focus its efforts primarily on business operations and integration immediately after completion of the proposed acquisition. The losses incurred by HTMi Singapore in the last few years were mainly related to its start-up costs. Whilst the past financial performance of HTMi Singapore may have a negative impact on the Group's profits in the short term, we remain optimistic about the prospects of the education business in the long run. Specifically, the proposed acquisition of HTMi Singapore 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 both in and outside Singapore. HTMi Singapore's business will enable the Group to offer more specialised courses and diplomas as well as diversify its training and talent management businesses. The management therefore believes that the proposed acquisition is aligned with the Group's vision to become one of the leading services and education providers for the tourism and hospitality sectors in Singapore, and therefrom in the region and envisages the education segment to positively contribute to the profitability of the Group's training business in the long run.

The suspension of SkillsFuture funding to Ascer Pte. Ltd. ("**Ascer**") has impacted Ascer's ability to continue its recruitment and placement business. However, such impact is not significant as Ascer's revenue accounted for less than 1% of the Group's total revenue of approximately S$54.5 million for the financial year ended 31 December 2019.

Generally, the Group adopts a growth strategy by collaboration and partnership in which partners align and collaborate to realise inherent synergies from one another. Accordingly, shareholders and management of Ascendo International Holdings Pte. Ltd ("**Ascendo**") are now part of the "Wong Fong family" and the synergies of collaborating by coming together had enabled the Group and shareholders of Ascendo to successfully diversify and grow the training business. There are currently no plans for the Group to acquire the remaining 40% of Ascendo.

Question 4 on Proposed Share Buy-Back Mandate:

The company's stock is very tightly held, and with little or no trading volume on most days. If the company succeeds in buying about a meaningful amount of share, the stock price may trade higher but the liquidity of the stock will worsen. In such an event, will the company consider distributing a higher dividend to attract liquidity to the stock, and as a means to optimise its capital structure?

The Company’s response:

We currently do not have a fixed dividend policy. The form, frequency and amount of future dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors such as (a) the level of our cash and accumulated profits; (b) our actual and projected financial performance; (c) our projected levels of capital expenditure and other investment plans; (d) our working capital requirements and general financing condition; and (f) the general economic and business conditions in countries in which we operate.

As set out in the Company’s circular dated 3 June 2020, the rationale for the Company to undertake the purchase or acquisition of its shares is as follows:

(a) in managing the business of the Group, the management team strives to improve shareholders’ value, *inter alia*, the return on equity of the Group. A share purchase is one of the ways through which the return on equity of the Group may be enhanced;

(b) the share buy-back mandate provides the Company with an additional mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner; and

(c) it allows the Directors to exercise greater control over the Company’s share capital structure, dividend payout and cash reserves, thereby optimising the use of any surplus cash, especially when the Company is not required to borrow money in the repurchase of shares.

The performance of the stock market and the Company’s share price is dependent on various factors, many of which are beyond our control. The management of the Group does not adopt policies with the primary objective of increasing the Company’s share price. As such, a sustainable optimum capital structure will have to be balanced against the competing interests of the Group’s capital requirements and its various stakeholders, including its employees and shareholders.

By Order of the Board

Pao Kiew Tee
Independent Chairman
23 June 2020

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.