

RESPONSES TO QUERIES BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Question 1

As noted in the message to shareholders, the Chairman and Group CEO highlighted that segment revenue from the Engineering and Training businesses each increased by more than 30%.

For the financial year ended 31 December (“FY”) 2021, revenue and net profit attributable to owners of the Company increased to \$65.1 million and \$3.3 million respectively. In fact, both have exceeded the Group’s pre-pandemic performance in FY2019 although still lower than the levels reached in FY2015 to FY2017.

The revenue breakdown in the Engineering segment is shown in Note 22 (Page 124 of the annual report – Revenue). Over 70% of the revenue from Engineering segment was derived from equipment sales. The list of equipment carried by the Group can be found on page 4 of the annual report.

- (i) What are the major types/ classes of equipment/ brands that contributed the majority of the Group’s revenue and profit?**
- (ii) Which groups of clients are showing the strongest growth? How sustainable is this rebound in demand?**
- (iii) Can management clarify if equipment sales include the Group’s value-add such as integration and installation of such equipment?**
- (iv) Can management provide greater clarity on the types of projects carried out by the Group? How long is the typical project? What is the typical size (by dollar amount) of the Group’s project?**
- (v) The Group recognised projects-related revenue of \$2.95 million in 2020 and \$2.29 million in 2021. Does the disclosure in Note 22 (Page 124 of the annual report – Revenue) mean that the Group is expected to complete the projects and recognise \$20.67 million in revenue in FY2022?**

The Company’s response:

- (i) Equipment sales contributed almost 50% of the overall Group revenue in FY2021, out of which majority relates to the sale of Palfinger and reconditioned equipment. Within the Engineering segment, repairs and servicing contributes the majority of the Group’s profit for FY2021.
- (ii) The rebound in demand is in response to the calibrated opening of the Singapore economy. In view of the rising geopolitical tensions, supply chain bottlenecks and sustained inflationary headwinds, the Group is unable to determine the sustainability of the rebound in demand.
- (iii) Unless otherwise specified by clients, equipment sales typically include all integration and installation services.
- (iv) The Engineering segment includes engineering projects for various industries including military and defense which typically involve highly customised integration of our equipment as part of an overall client solution. As such the length and value of each project may vary.
- (v) Due to recent labour and supply chain challenges, the management now envisage that not all of this amount will be recognised as revenue in FY2022.

Question 2

As shown in Note 18 (Page 122 of the annual report – Bank borrowings), the Group has total borrowings amounting to \$4.86 million. These consists of bank borrowings, including A 5-year Temporary Bridging Loan under Enterprise Financing Scheme, with effective interest rates of between 2%-3.15%.

The Group also has cash and cash equivalents of \$25.08 million as at 31 December 2021. For FY2021, it paid \$367,000 in interest expense and received \$69,000 in interest income.

- (i) **Can the board of directors of the Company (“Board”)/ management elaborate further on its capital management approach? How is it optimizing its working capital?**
- (ii) **In January 2022, the Group completed the acquisition of the property located at 38 Joo Koon Road. How was the property funded?**
- (iii)&(iv) **Can the Board help shareholders understand if these investments in financial assets are in line with the Group’s strategic growth objectives?**
- (v) **Who is managing these investments and what is the investment mandate?**
- (vi) **Is there a proper risk management framework in place?**
- (vii) **Would the Board be carrying a review of the Group’s financial position, reassess its capital management policy and right-size the balance sheet, as appropriate, via special dividends/ capital reduction?**

The Company’s response:

- (i) The Board adopts a moderate capital management policy in which it aims to strike a balance between liquidity and gearing amongst competing stakeholder interests. The Group has a strong balance sheet with strong liquidity which enables the Group to obtain bank financing and facilities at competitive rates. Because of its strong balance sheet, the Group was able to better withstand the challenges brought on by the COVID-19 pandemic and inflationary pressures arising from the on-going geo-political uncertainties. The strong financial position allowed the Group to reap the benefits of any opportunities which may arise during such challenging times.
- (ii) The acquisition of the property at 38 Joo Koon Road was financed by internal resources and a 2-year fixed interest property loan from the Company’s bankers.
- (iii)&(iv) Due to the low interest rate environment, the Board had approved placing a portion of its cash in income yielding Singapore equities and bonds. The primary objective is to outperform the bank cash deposit interest rate whilst retaining financial liquidity. Hence, these investments are long term in nature and minimal trading is envisaged.
- (v)&(vi) The investments are reported to and reviewed by the Board on a bi-annual basis. In addition - on an annual basis - the Board reviews and renews its investment mandate and put in place adequate procedures to ensure that investments are made within the approved thresholds, taking into consideration the Group’s financial position at the relevant point in time.
- (vii) The Board annually reviews its capital structure to take into consideration all competing stakeholders’ interests. In this regard, the Board believes that the current capital structure is optimised.

Question 3

- (i) **Can the audit committee confirm that all major operating subsidiaries (including the Training segment) have been included in the IA?**
- (ii) **Did the IA also audit the Group’s operation in Myanmar?**

- (iii) **What was the scope of the internal audit in FY2021? What is the length of the internal audit cycle?**
- (iv) **What are the key findings and the recommendations by the IA for the Engineering segment and for the Training segment?**

The Company's response:

- (i) The Group's main operating subsidiaries, as well as the Training segment, have been included as part of the Group's three-year internal audit plan.
- (ii) Myanmar was excluded from the internal audit plan as the operations in Myanmar is immaterial to the Group.
- (iii) All key entities are covered in the Group's three-year internal audit plan. For FY2021, the focus of the internal audit scope was Wong Fong Engineering Works (1988) Pte. Ltd.. The internal audit cycle took approximately 2 months from the planning to the finalisation of the internal audit report.
- (iv) There were no major adverse findings arising from the internal audit for the Engineering and the Training segments.

By Order of the Board

Pao Kiew Tee
Independent Chairman
10 May 2022

*This announcement has been prepared by Wong Fong Industries Limited (the "**Company**") and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with Rules 226(2)(b) 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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