

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HTMI HOTEL AND TOURISM MANAGEMENT INSTITUTE PTE. LTD. – SGX QUERIES**

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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 circular to shareholders of the Company dated 3 June 2020 (“**Circular**”) in relation to the proposed acquisition of the entire issued share capital of HTMi Hotel and Tourism Management Institute Pte. Ltd. (“**Proposed Acquisition**”).

Further to the Company’s announcement dated 26 May 2020 (“**Announcement**”) in relation to the Proposed Acquisition and the Circular, the board of directors (the “**Board**” or the “**Directors**”) of Wong Fong Industries Limited (the “**Company**” and together with its subsidiaries, the “**Wong Fong Group**”) wishes to announce the following response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

*Query in relation to the Announcement*

Question 1:

*Two of the CPs were (d) the 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; and (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.*

*On each of the Academic Cooperation Agreement and Global Development Agreement,*

- 1. Please elaborate on the purpose of the agreements;*
- 2. Please elaborate on fees that would be due to / due from HTMi Switzerland.*

The Company’s response:

The purpose of the Academic Cooperation Agreement and the Global Development Agreement are as follows:

1. Academic Cooperation Agreement

It is envisaged that, under the Academic Cooperation Agreement, HTMi Switzerland shall support the Target in relation to the Target’s training and education programmes in terms of, amongst others, providing guidelines, course curriculum, academic standards, syllabus, and faculty training, to enable the Target to run the programmes within HTMi Switzerland’s educational framework. The Academic Cooperation Agreement also provides the Target with the license to use the logo and brand name of HTMi Switzerland and lays down the promotional and marketing activities of the Target with regards to the programmes. Fees payable by the Target to HTMi Switzerland shall be based on the level of student enrolment. The agreement would also provide for referral fees to be paid to HTMi Switzerland for student referral to HTMi Singapore and vice versa.

2. Global Development Agreement

It is envisaged that, under the Global Development Agreement, Ascendo will work with HTMi Switzerland in its international expansion in various locations outside Singapore. Revenue and cost sharing would be determined based on the nature of work and value added provided by each party in the overall development activities for each new location.

## *Queries in relation to the Circular*

### Question 1:

*In the circular, it was stated that the Target had achieved a net profit of S\$3,398,000 (based on the unaudited management accounts after inclusion of waiver of the Loans of S\$4,671,000) for the financial year ended 31 March 2020. Did the Target had to incur fees in respect of / to the effect of the services provided by the Academic Cooperation Agreement and the Global Development Agreement, i.e. was the net profit in FY2020 inclusive of such fees to be paid? If not, is the EPS computation for the scenario after the Proposed Acquisition (where it increased from 0.96 cts to 2.41 cts) accurate?*

The Company's response:

As set out in section 2.3.4 of the Circular, the fees payable by the Target to HTMi Switzerland include mainly the following:

- (i) programme fees which depends on the level of enrolment and the type of courses; and
- (ii) referral fees which depends on the number of student referrals from HTMi Switzerland and the type of courses.

Upon Completion, programme and referral fees are only payable based on the Target's successful enrolment of students into its programmes. The programme fees are expected to range from S\$350 to S\$1,000 per student and the referral fees from S\$250 to S\$500 per student. Such fees are not payable by the Target currently. The fees to be received by Ascendo under the Global Development Agreement would be based on the nature of work provided and value added by each party in the overall development activities for each new location.

As the fees payable to HTMi Switzerland is dependent upon a number of factors such as the level of enrolment, the type of courses enrolled by the students, as well as the number of referrals from HTMi Switzerland, it is not possible to estimate or project with any degree of certainty the fees payable to and receivable from HTMi Switzerland and the revenue of the Target for FY2020. It is therefore not meaningful to take into account such fees or potential revenue in the computation of the financial effects for FY2019 or FY2020.

Accordingly, and as set out in Circular, the financial effects of the Proposed Acquisition were computed based on the audited consolidated financial statements of the Wong Fong Group for FY2019 and unaudited management accounts of the Target for the financial year ended 31 March 2020. The purpose was to illustrate the financial effects of the Proposed Acquisition on the financial performance and position of the Wong Fong Group. The financial effects of the Proposed Acquisition on the EPS of the Wong Fong Group were based on the assumption that the Proposed Acquisition was completed on 1 January 2019. As such, the historical financial information of the Wong Fong Group and the Target were used in such computation. The Company had also highlighted to Shareholders that such financial effects are for illustrative purposes only and do not reflect the actual future financial performance or position of the Wong Fong Group after Completion.

### Question 2:

*Specifically, under the terms of the Academic Cooperation Agreement, HTMi Switzerland shall, amongst others: (i) provide the Target with the specifications, guidelines, operational, quality controls, course curriculum and academic standards for each programme to meet the standards of HTMi Switzerland and the EduTrust Certification Scheme; and (ii) provide the complete academic expertise such as syllabi, details of courses, inputs on listing of facilities, minimum qualifications for faculty and infrastructure inputs.*

*The Academic Cooperation Agreement also provides the Target with the license to use the logo and brand name and lays down the promotional and marketing activities of the Target with regards to the programmes. Furthermore, the Academic Cooperation Agreement regulates the assessment and examination arrangements in relation to the courses and programmes offered by the Target and provides for student progressions between the Target and HTMi Switzerland in relation to the programmes and courses offered by each of the Target and HTMi Switzerland.*

- (i) *What is the AC's views as to whether the Academic Cooperation Agreement is material and necessary for effective operation of the Target?*
- (ii) *Would the AC consider the terms of the Academic Cooperation Agreement to be salient terms in relation to the Proposed Acquisition, and why?*

The Company's response:

Although the Academic Cooperation Agreement has not been signed, the parties had discussed and agreed in-principle the key terms of the agreement at the time of issue of the Circular. Barring unforeseen circumstances, the Academic Cooperation Agreement should be finalized by 12 June 2020. Whilst the agreement is an important integral part of the Proposed Acquisition and hence its inclusion as a condition precedent, it primarily spells out the operational arrangements and commercial terms agreed between Ascendo, who will be taking over the operations of the Target after Completion, and the Vendor.

Specifically, the Academic Cooperation Agreement provides the operating guidelines regarding course curriculum, academic standards, assessment, syllabus, faculty training, student progression and facilities in order to enable the Target to run the programmes within HTMi Switzerland's educational framework including promotional and marketing activities.

Based on the above and from the operational perspective, the audit committee of the Company ("AC") is of the view that the operating framework formalized in the Academic Cooperation Agreement is necessary for the effective operation and management of the Target. Accordingly, the AC also considers the terms of the Academic Cooperation Agreement to be salient terms in relation to the Proposed Acquisition and such terms have been disclosed in the Circular.

Question 3:

*When will the fees arrangement for the Academic Cooperation Agreement and the Global Development Agreement be finalized? Without such details that will allow shareholders to understand the overall financial impact of the Proposed Acquisition on the Group, how is the AC satisfied that the shareholders have been provided with adequate information to make their decisions?*

The Company's response:

The parties are currently in the process of finalizing the agreements and barring unforeseen circumstances, the Company expects to have both the Academic Cooperation Agreement and the Global Development Agreement finalized for Shareholders' inspection by 12 June 2020. As set out in the Announcement, the Company intends to make further announcements to keep Shareholders informed before the EGM, as and when there are further material updates and developments in respect of the Proposed Acquisition.

As mentioned above, the terms of the Academic Cooperation Agreement and the Global Development Agreement had already been agreed in-principle at the time of issue of the Circular. In essence, both the agreements provide the operational, development and expansion framework for the business of the relevant parties in Singapore and the region.

Whilst the Academic Cooperation Agreement and the Global Development Agreement are pending finalization, the nature and the salient terms of these agreements have been disclosed in the Circular. In addition, the Company also intends to make an announcement to update Shareholders as soon as the agreements are finalized. As such, the AC is of the opinion that there is sufficient information available for Shareholders to make an informed decision. The agreements will also be available for inspection by Shareholders. Furthermore, Shareholders are given the opportunity to submit questions relating to the Proposed Acquisition prior to the EGM to be held on 25 June 2020.

The Board is of the view that time is of the essence and a delay in the Proposed Acquisition may adversely disrupt the strategic roadmap and expansion plans for the Wong Fong Group's training business. If the Wong Fong Group were to organically start operations and venture into the private education sector, the 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 is the preferred option.

Based on the above, the Board believes that the Proposed Acquisition should be completed expeditiously and has therefore convened the EGM while the terms of the Academic Cooperation Agreement and the Global Development Agreement are being finalized. Whilst the agreements have not been formally signed as at the date of the Circular, the nature of these agreements and their salient terms had already been agreed with the Vendor in-principle and disclosed in the Circular. Barring unforeseen circumstances, we anticipate that the agreements should be finalized and ready for Shareholders' inspection by 12 June 2020. The Company will make further announcements to keep Shareholders informed, as and when there are further material developments in respect of the Proposed Acquisition, including the execution of the Academic Cooperation Agreement and the Global Development Agreement.

Question 4:

*What is the reason for the holding of the EGM to approve the Proposed Acquisition when the terms of these two CP items have not been finalized and disclosed to shareholders?*

The Company's response:

The Company wishes to clarify that it intends to finalize the terms of the Academic Cooperation Agreement and the Global Development Agreement and update Shareholders accordingly prior to the EGM. As mentioned above, the terms of the Academic Cooperation Agreement and the Global Development Agreement had already been agreed in-principle by the parties at the time of issue of the Circular and the parties are currently in the process of finalizing the agreements. Whilst the agreements have not been formally signed as at the date of the Circular, the nature of the agreements and their salient terms have already been agreed with the Vendor in-principle and disclosed in the Circular. Barring unforeseen circumstance, the Company intends to finalise the agreements and make them available to Shareholders for inspection by 12 June 2020.

The Directors believe that the Proposed Acquisition is well-placed in the strategic roadmap for the Wong Fong Group's training and education business. It is the Wong Fong 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. The Target's business will enable the Wong Fong Group to offer more specialised courses and diplomas as well as diversify its training and talent management businesses. The Board is therefore of the view that the Proposed Acquisition is aligned with the Wong Fong Group's vision for its training business to become one of the leading services and education providers for the tourism and hospitality sectors in Singapore, and therefrom in the region. The Board is of the view that time is of the essence and a delay in the Proposed Acquisition may adversely disrupt the roadmap and expansion plans for the Wong Fong Group's training business.

Accordingly, the Board believes that the Proposed Acquisition should be completed expeditiously and has convened the EGM to seek approval for the Proposed Acquisition.

As soon as the Academic Cooperation Agreement and the Global Development Agreement have been finalized, the Company intends to make an announcement to update Shareholders. The agreements will also be available for inspection by Shareholders and Shareholders are given the opportunity to submit questions relating to the Proposed Acquisition prior to the EGM to be held on 25 June 2020 to ensure that they have adequate information to make an informed decision.

By Order of the Board

Pao Kiew Tee  
Independent Chairman  
5 June 2020

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*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 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.*