

PROPOSED ACQUISITION OF PROPERTY LOCATED AT 38 JOO KOON ROAD

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 wholly-owned subsidiary, Wong Fong Engineering Works (1988) Pte. Ltd. (“**WFE**”), had, on 24 June 2021, been granted an option to purchase (the “**OTP**”) by Lian Hoe Hardware Pte. Ltd. (the “**Vendor**”) in relation to the proposed acquisition (“**Proposed Acquisition**”) of a property located at 38 Joo Koon Road, Singapore 628990 (the “**Property**”), upon the payment of a sum of S\$64,880 (the “**Option Fee**”) by WFE to the Vendor.

The Option Fee represents 1.0% of the consideration of S\$6,488,000 for the Proposed Acquisition (“**Consideration**”).

The OTP shall remain valid until 4.00 p.m. on 7 September 2021 (“**Option Expiry Date**”) and will be null and void if not exercised by WFE in accordance with the terms of the OTP on or before the Option Expiry Date.

2. INFORMATION ON THE PROPERTY AND THE VENDOR

The Property is a leasehold property granted by the Jurong Town Corporation (“**JTC**”) with a tenure of 30 + 30 years which commenced on 16 December 1988. It is a 2-storey detached factory. The Property has a land area of approximately 47,318 square feet and a floor area of approximately 33,241 square feet. Its current permitted use is for fabrication, cutting and storage of metal iron, mild steel, stainless steel and related products.

The Vendor is a company incorporated in Singapore and is an independent third party. None of the Vendor or its directors and shareholders is related to the Directors or controlling shareholders of the Company and their respective associates.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration

The Consideration was determined based on arm’s length negotiations between WFE and the Vendor and was arrived at on a willing-buyer willing-seller basis after taking into account, *inter alia*, prevailing market conditions and relevant enquiries and references made by WFE in relation to the current market prices of properties in the surrounding area of similar size and lease tenure. No formal valuation has been conducted or commissioned for the purpose of the Proposed Acquisition.

Under the terms of the OTP, the Consideration shall be payable to the Vendor in the following manner:

- (i) 1.0% of the Consideration upon the grant of the OTP, which has been paid by WFE on 24 June 2021;
- (ii) 4.0% of the Consideration upon exercise of the OTP before the Option Expiry Date; and
- (iii) the balance 95.0% of the Consideration upon completion of the Proposed Acquisition.

The Group intends to satisfy the Consideration through a combination of internal resources and/or bank borrowings.

3.2 Salient Terms of the OTP

The Proposed Acquisition will be conditional upon, *inter alia*, the following:

- (i) WFE's solicitors receiving satisfactory replies to their legal requisitions to the various government departments and the Land Transport Authority (MRT) (including the Road Line Plan and drainage interpretation plan reply);
- (ii) written approval from JTC for the Proposed Acquisition ("**JTC Consent**"); and
- (iii) the Vendor furnishing satisfactory documentary evidence to WFE that JTC has granted to the Vendor the lease term of 30 years commencing from 16 December 2018 in respect of the Property.

In the event WFE determines that the terms and conditions imposed on it by JTC in the JTC Consent are unacceptable to it, WFE shall be at liberty to rescind the Proposed Acquisition.

In the event that the JTC Consent is not obtained by the expiry of 30 weeks from the date of exercise of the OTP or such later time as the Vendor and WFE may mutually agree or the JTC Consent is refused by JTC (and such failure to obtain the JTC Consent or refusal by JTC is not due to the default of either party), the Vendor and WFE shall have the option to rescind the Proposed Acquisition or if both parties agree, to extend the time to obtain the JTC Consent.

3.3 Completion

Subject to satisfaction of the conditions precedent in the OTP, including the receipt of the JTC Consent, completion of the Proposed Acquisition is expected to take place on the date falling 16 weeks from the date of exercise of the OTP by WFE or within 4 weeks from the date of the JTC Consent, whichever is the later ("**Completion**").

4. RATIONALE

The Board is of the view that the Proposed Acquisition is in the best interests of the Group and the Company's shareholders for the following reasons:

- (i) the Proposed Acquisition will enable the Group to consolidate and strengthen its supply chain and business operations. WFE is currently leasing spaces from a third party due to existing space limitations. Furthermore, the Property is located within the same vicinity as the Group's headquarters located at 79 Joo Koon Circle, Singapore 629107 and should provide supply chain, logistical and administrative synergies; and
- (ii) the Proposed Acquisition will enable the Group to increase its existing advance engineering and specialised manufacturing capacity and capabilities and enable it to participate in bigger and more specialised tenders, enabling the Group to move up the value chain.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures of the Proposed Acquisition computed on the bases set out under Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**") is 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	Not applicable ⁽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	18.9 ⁽²⁾
(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) Not applicable as the Property is not a revenue-generating asset.
- (2) Based on the Consideration of S\$6.488 million and the market capitalisation of the Company of approximately S\$34.4 million, which was determined by multiplying the issued share capital of the Company of 235,000,000 shares by the volume-weighted average price of such shares transacted on 15 June 2021 (being the last market day on which the shares were traded prior to the date of the OTP) of S\$0.1462 per share.

Based on the relative figures computed above, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Catalist Rules and approval from shareholders of the Company will not be required.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

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

The financial effects of the Proposed Acquisition have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("FY2020").

6.1 Net tangible assets ("NTA") per share

Assuming that the Proposed Acquisition had been completed on 31 December 2020, the effects of the Proposed Acquisition on the Group's NTA per share as at 31 December 2020 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	50,958	50,958
Number of shares ('000)	235,000	235,000
NTA per share (cents)	21.68	21.68

6.2 Earnings per share (“EPS”)

Assuming that the Proposed Acquisition had been completed on 1 January 2020, the effects of the Proposed Acquisition on the Group’s EPS for FY2020 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (\$’000)	2,073	1,769
Weighted average number of shares (’000)	235,000	235,000
EPS (cents)	0.88	0.75

7. SERVICE CONTRACT

No person is proposed to be appointed to the Board in connection with the Proposed Acquisition. Accordingly, no service contract 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 of the Company 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. 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 this 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 this announcement in its proper form and context.

10. DOCUMENT FOR INSPECTION

A copy of the OTP 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.

11. 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.

12. 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 OTP 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
24 June 2021

This announcement has been prepared by the Company and has 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.

The contact person for the Sponsor is Mr Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.