

Issuer: Wong Fong Industries Limited

Security: Wong Fong Industries Limited

Meeting details:

Date: 27 April 2018

Time: 3.30 p.m.

Venue: 79 Joo Koon Circle, Singapore 629107

Company Description

Wong Fong Industries Limited, an investment holding company, provides land transport engineering solutions and systems for various industries in Singapore, Malaysia, Myanmar, and the People's Republic of China. The company operates through Equipment Sales, Repairs and Servicing, Projects, and Training segments. The Equipment Sales segment sells and installs load handling systems and waste management systems, as well as assistive technology and mobility aids. This segment also offers a range of products and solutions, which include truck-mounted cranes, tailgates, tippers, self-loaders, hookloaders, and portable compactors. The Projects segment is involved in design, customization, fabrication, and integration of equipment and/or solutions. Its solutions include special purpose vehicles and defense and armor solutions for the homeland security and defense use. The Repairs and Servicing segment operates service centers for repair and maintenance of truck-mounted cranes, hookloaders, and tailgates. The Training segment provides training courses on operation of industrial equipment, risk management implementation, and supervision of safe lifting operations. The company also distributes and rents heavy and construction machinery, as well as its spare parts, accessories, and engineering works. In addition, it provides consultancy, research and development, repair, and after sales services. Further, the company involves in trading and installation of industrial, construction, and related machinery, equipment, and its components, as well as mechanical engineering and fabrication works. The company serves customers in various industries, including infrastructure development, logistics, waste management, and defense. Wong Fong Industries Limited was founded in 1964 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1A1)

1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) **Equipment sales & Repairs and Servicing:** As seen in Note 29 (page 101 – Segment information), revenue from equipment sales and repairs and servicing dropped 9% and 12% respectively. Profit dropped by 4% and 18% respectively. These two segments accounted for nearly 90% of the FY2016 revenue. **What are the key drivers for equipment sales? Who are the major customers? Does the group have long-term/servicing contracts with customers for the repairs and servicing segment? What is the group’s estimated market share of the repairs and servicing segment?**
- (ii) **Training:** With both Wong Fong Academy and Ascendo International Holdings Pte. Ltd. under the group, and together with the newly acquired Smatra Training, how much more can the group scale up in its training division? What is the level of enrolment targeted by management for FY2018? How many more courses will the group introduce in FY2018?
- (iii) **Vanda Electrics:** The group’s interest in Vanda was diluted to 22.4% as the group did not participate in the latest fund raising by Vanda. **How strategic is Vanda to the group? Is there any synergy with the group’s core business?**

2. The group has started several operations in Myanmar, including:

- A fully equipped Operations and Service Centre providing onsite repairs and maintenance services
 - Exclusive distributor in Myanmar (and Singapore) for Bucher branded compact sweepers and truck-mounted sweepers
 - Exclusive dealer for Palfinger in Myanmar
 - Establishing Ascendo International Myanmar to provide training
- (i) **Can management help shareholders understand its near-mid term plans (3-5 years) for Myanmar?**
 - (ii) **How competitive is the market and does the group have a first mover advantage in Myanmar?**
 - (iii) **How does the group bridge the differences in language, culture, business practices and expectations as it scales up its business in Myanmar?**

3. As a result of the group’s expansion into the training segment through acquisitions, the group’s intangible asset has increased to \$3.5 million as at 31 December 2017 from \$5,415 a year ago.

As shown in Note 11 (page 87 – Intangible assets), the bulk of the intangible assets is in goodwill (\$1,299,358) and accreditation and copyright (\$2,189,472).

- (i) **What is the guidance given by the board to management to remain prudent and avoid being overly aggressive in its acquisition as it scales up its business?**
- (ii) **What is the experience of the management team in valuing businesses?**
- (iii) **How does the board help management in deal sourcing and deal structuring to mitigate some of the business risks from its acquisitions?**