Securities Investors Association (Singapore)
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Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Wong Fong Industries Limited

Stock code: 1A1

Meeting details:
Date: 28 April 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. 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 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 (see table below).

FINANCIAL HIGHLIGHTS
(Financial Year Ended 31 December)

Revenue							
S$'million	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
	65.1	49.3	54.5	56.5	67.3	70.2	77.6
Net profit attributable to owners of the Company							
S$'million	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
	3.3	2.1	2.3	2.3	4.3	3.6	5.6

(Source: company annual report)

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

22 REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the following major revenue streams which is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 30).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2021 $'000	2020 $'000
Engineering		
– Equipment sales	**31,900**	21,601
– Repairs and servicing	**11,004**	9,423
– Projects	**2,291**	2,951
	45,195	33,975
Training	**19,911**	15,303
	65,106	49,278

The transaction price allocated to (partially) unsatisfied performance obligations for projects revenue as at the end of the reporting period is $20,671,000 (2020: $22,854,000).

Management expects that the transaction price allocated to the unsatisfied contracts as of December 31, 2021 will be recognised as revenue during the next reporting period.

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(i) **What are the major types/classes of equipment/brands that contributed the majority of the group's revenue and profit?**

Management has stated that the increase in revenue from the engineering business was mainly attributed to the increase in demand for such products and services from customers in Singapore as compared to the prior year, which was adversely affected by the measures imposed during the "Circuit Breaker" period.

(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?**

For the group's projects, the transaction price allocated to (partially) unsatisfied performance obligations as at 31 December 2021 was $20.67 million (2020: $22.85 million).

(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 (highlighted in blue above) mean that the group is expected to complete the projects and recognise $20.67 million in revenue in FY2022?**

Q2. As shown in Note 18 (page 122 – Bank borrowings), the group has total borrowings amounting to $4.86 million. These consists of bank borrowings, including A 5-year Temporary Bridging Loan ("TBL") 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/management elaborate further on its capital management approach? How is it optimising 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) In addition, the group has invested in corporate bonds and listed shares as shown below:

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15 INVESTMENTS IN FINANCIAL ASSETS

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Investments in debt instruments classified as at FVTOCI[(i)]				
Corporate bonds	**979**	759	**979**	759
Investments in equity instruments designated as at FVTOCI[(ii)]				
Unlisted shares	**140**	90	**–**	–
Financial assets measured at FVTPL[(iii)]				
Listed shares	**2,034**	1,571	**2,034**	1,571
Unlisted shares	**–**	–	**–**	–
Corporate bonds	**1,528**	1,041	**1,528**	1,041
	3,562	2,612	**3,562**	2,612
	4,681	3,461	**4,541**	3,371

(Source: company annual report)

(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?**

Q3. As noted in the corporate governance report, the company has outsourced its internal audit function to Nexia for its Singapore and Malaysia operations. Nexia is a member of the Institute of Internal Auditors Singapore and is staffed with professionals with relevant qualifications and experience.

(i) **Can the audit committee (AC) confirm that all the 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?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)