

WONG ENGINEERING CORPORATION BERHAD

Registration No. 199601037606 (409959-W)
(Incorporated in Malaysia)

Summary of key discussion at the Twenty-Fourth (24th) Annual General Meeting (“AGM”) of Wong Engineering Corporation Berhad (“WEC” or “the Company”) conducted through live streaming and online remote participation by using Remote Participation and Voting Facilities (“RPV”) from the Broadcast Venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 25 March 2021 at 9.30 am

- 1.1 Datuk Haji Chairman informed that the first agenda item was to receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 October 2020 (“FYE2020”) together with the Reports of the Directors and Auditors thereon.
- 1.2 He informed that the Board had received a Query Letter dated 19 March 2021 from Minority Shareholders Watch Group (“MSWG”) and informed that the Board’s response can be seen on the screen.

Strategy & Financial Matters

- 1) The new machines will serve to expand the Group’s capacity and capabilities through more efficient machines as well as upgrades to its manufacturing plant and facility for CNC metal fabrication besides superseding some of the older machines in its fleet. (Page 14 of Annual Report - AR)

Question 1: What is the Group’s existing capacity and what will be the expanded capacity? When will the expanded capacity be ready?

WEC response: We operate a fleet of advance machineries of various capabilities in high precision sheet metal fabrication such as laser and turret and CNC milling and turning. On top of that, we have a strong workforce of approximately 400 headcount. The expanded capacity is contributed by addition of new machines which are ready and available as soon as completion of machine installation and commissioning for operation which typically takes approximately 2-4 weeks after arrival.

- 2) The Group offers full array services from design to development and produces high precision metal fabricated parts with superior quality assurance. Presently, the Group supports a wide range of prominent multi-national customers worldwide coming from a wide spectrum of industries including the electrical and electronics (E&E), semiconductor, Test Instruments, Telecommunication, Digital Imaging, Healthcare and Oil & Gas. (Page 15 of AR)

Question 2(a): Does the Company have many competitors? What are its competitive advantages over its peers?

WEC response: The high precision metal fabrication business is a highly competitive sector. We have been operating for approximately 39 years since being established in 1982 making us one of the few pioneers and experienced player in high precision metal fabrication.

Question 2(b): Which industries are its customers mainly from? What is the business outlook?

WEC response: Our customers are primarily from the electrical and electronics (E&E) industry supporting the semiconductor, network and telecommunication sector. The outlook from these sectors remains positive driven by factors such as mass deployment of 5G, cloud computing, smart devices and implementation of Industry 4.0.

- 3) A part of the Group's purchases is denominated in USD, which provides a natural hedge to minimise any impact from sudden fluctuations in USD. (Page 17 of AR)

Question 3: What percentages of the Group revenue and purchases are denominated in USD?

WEC response: Approximately one third of our Group's revenue and 20% of our purchases are denominated in USD.

- 4) The US-based Semiconductor Industry Association ("SIA") stated that global sales of semiconductors are projected to increase 5.1% in 2020 to US\$433.1 billion, followed by an increase of 8.4% in 2021. (Page 18 of AR)

Question 4: How much of the Group's revenue is derived from the semiconductor sector? To what extent will the Group benefit from the rosy projection

WEC response: A substantial portion of our Group's FY2020 revenue is derived from the semiconductor sector. We anticipate that the growth of semiconductor sales would drive higher demands of our precision metal fabricated parts and components as part of the expanded supply chain.

- 5) With the Kuchai Lama project nearing completion, the Group will assess the suitability of timing to undertake the development of industrial factories and warehouses in Sepang, Selangor via the 35% associate, BLSB. BLSB has acquired a parcel of land measuring 75.32 acres located Off Jalan Dengkil Banting and to undertake the development of 30 units of 3-storey detached factories / warehouses cum offices. (Page 19 of AR)

Question 5 (a): What is the gross development value of the project to be undertaken?

WEC response: The gross development value is estimated to be approximately RM400 million subject to variation depending on the approvals obtained from the relevant authorities.

Question 5 (b): Apart from the 75.32 acres of land acquired, what other plans does the Group have for its land bank?

WEC response: Apart from the Sepang land acquired, the Group and its associate company does not have any other land banks.

- 6) Revenue from Construction and Property Development segment totalled RM22.9 million for FY2020 (Page 99 of AR). A single customer contributed the RM22.9 million to the Group's revenue from Construction and Property Development. (Page 101 of AR)

Question 6: What are the Group's plans to mitigate the customer concentration risk in generating revenue from the Construction and Property Development segment?

WEC response: The Kuchai Lama project is our first foray into the Construction business. The concentration risk is attributed to the fact that it is our only project to date. The management is exploring further opportunities and projects to grow in the Construction and Property Development segment.

Corporate Governance Matters

The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM15,718.00. (Page 36 of AR).

Question 1: Given that the fee is rather small (approximately RM1,310 per month), how does the Audit Committee assure itself that there would be adequate coverage and an effective audit function? What are the areas covered by the internal auditors during the financial year ended 31 October 2020? How many internal audit reports were issued during the said period?

WEC response: The internal audit function is outsourced to an independent professional consulting firm. The firm took a risk-based approach to propose and design an annual internal audit plan which is then presented to the Audit Committee for review and approval. The fees paid are for 2 cycles of audit rather than a monthly fee. The 2 internal audit reports issued during the financial year ended 31 October 2020 covered areas of internal control systems of production and machine preventative maintenance while the subsequent report covered the area and function of quality assurance.

- 1.3 Datuk Haji Chairman declared that the Audited Financial Statements were duly tabled and received by the shareholders and proceeded to the next agenda item.

- 2.1 Datuk Haji Chairman informed that the Board has received several questions from the shareholders through the Query Box. The Board responded to those questions as follows:

Shareholder 1

Question 1:

Company has 2 segment: precision engineering & property and construction.

Which segment is the future main focus?

Precision Engineering will remain as our main focus and core segment in the future. Reflecting on FY2020, almost all of the Group's capital investment (99.3% or RM3.04 million) are directed towards the Precision Engineering segment. The Board and management is committed and will continue to invest as necessary to grow and expand the Precision Engineering segment.

Shareholder 2

Question 1:

Some of the shareholders are supportive and took time and effort to participate at this virtual AGM. The Directors should consider sending shareholders some token of appreciation in the form of e-vouchers or credits in e-wallet.

Thank you for the shareholders' support and attendance. The Company has always maintained a no gift policy regardless of whether the AGM is conducted physically or virtually.

Shareholder 3

Question 1:

Is the segment on investment activities used to fund investments in shares?

Yes. You may refer to note 10 of the notes to the financial statements.