WONG ENGINEERING CORPORATION BERHAD
Registration No. 199601037606 (409959-W)
(Incorporated in Malaysia)

Summary of key discussion at the Twenty-Fifth (25th) Annual General Meeting ("AGM") of Wong Engineering Corporation Berhad ("WECB" or "the Company") conducted fully virtual basis through live streaming and online remote meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd via its website at https://tiih.online or https://tiih.com.my (Domain Registration No. with MYNIC – D1A282781) on Thursday, 24 March 2022 at 11.30 am.

1.1 Datuk 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 2021 ("FYE2021") together with the Reports of the Directors and Auditors thereon.

1.2 He informed that the Board had received a Query Letter dated 9 March 2022 from Minority Shareholders Watch Group ("MSWG") and the Company's response was projected on screen.

Strategy & Financial Matters

The growth in revenue was driven by higher sales from the Manufacturing segment supported by healthy demands of precision metal fabricated components coming from customers in the electrical and electronics ("E&E") and semiconductor sector aside from the spike in revenue from Construction & PD attributed to steady progress from its project at Kuchai Lama. (Page 16 of Annual Report 2021)

Question 1(a): What is the current demand for precision metal fabricated components? Is the healthy demand sustainable and what is the outlook for FY 2022 and moving forward?

WECB's response: *Based on our order book, demand for precision metal fabricated components are strong and replenishment orders continue to come in driven by customers from the semiconductor and E&E sectors. Based on the forecast shared by our customers, the demand outlook will remain upbeat over the near to medium term. Optimistically, we target to deliver higher level of revenue growth in this segment relative to the growth achieved in FY2021.*

Question 1(b): What is the nature of project at Kuchai Lama, status of sales, progress and expected completion date?

WECB's response: *The project at Kuchai Lama involves construction contract to build 2 blocks of 37-storey apartment on top of 8 storey car park podium including facilities on Lot 32075, Kuchai Lama Entrepreneurs Park, Mukim Petaling, Wilayah Persekutuan Kuala Lumpur. As at 31 January 2022, the project has achieved a progress of ~95% completion and is targeting to complete by end of quarter 2 2022.*

Construction and PD registered similar PBT growth of 189% as well as compared to FY2020 with the Kuchai Lama project gradually progressing towards its completion in the near future. (Page 16 of Annual Report 2021)

Question 2: With completion of the project in the near future, how would the Construction and PD segment sustain and grow its revenue?

WECB's response: *The Group are cautiously seeking out new projects and opportunities for expansion in the segment but remain highly cognizant of risk on the surge of cost of raw materials notwithstanding the existing property glut and the weak market sentiment. The Group via its 35% associate, Broadway Lifestyle Sdn Bhd is assessing the suitability of timing to undertake the proposed development in Sepang on a parcel of land it acquired back in 2020.*

For FY 2021, Manufacturing segment recorded revenue of RM50.77 million and profit before tax (PBT) of RM4.80 million (PBT margin of 9.45%) while Construction & PD segment registered revenue of RM33.02 million and PBT of RM7.38 million (PBT margin of 22.35%). (page 16 of Annual Report 2021)

Question 3: How is Construction & PD segment able to register such a high PBT margin and is it sustainable? Is there any significant contribution from PD section?

WECB's response: *There was no contribution from the PD section. The Group recognised construction revenue and expenses for the Kuchai Lama project using the stage of completion method. The stage of completion is determined by reference to the completion of the physical proportion of work to date. The higher PBT margin was attributed to fluctuation driven by timing as cost incurred was recognised in FY2020 while the progress of work done was only recognised over in FY2021.*

The Group operating segments constantly faces generic business risks owing to pressure of intense competition over costing and pricing, labour and material shortages and fluctuation of market demand which may impact its cost and bottom line. (page 17 of Annual Report 2021)

Question 4: How does the Group manage intense competition and labour and material shortages?

WECB's response: *The Group prides itself as a one-stop value added mechanical solution supplier offering a full array of services from design to development and production of high precision metal fabricated components with stringent quality assurance. The Group persistently invest on advance machineries and training on its human capital to stay ahead of its competitors emphasizing on quality, delivery and value. From labour perspective, the Group's Manufacturing is located in Kulim Hi-Tech Park and has access to tap into the pool of mature and highly skilled workforce coming from a wide spectrum of industry sectors. In terms of material, the Group works closely with our customers on forecasted demand and partners with our material vendors located domestically and internationally to minimise shortages and disruption in the supply chain.*

The Group via its 35% associate, Broadway Lifestyle will also assess the suitability of timing to undertake development of industrial factories and warehouses in Sepang on a parcel of land it acquired back in 2020. (page 19 of Annual Report 2021)

Question 5: What is the current status of development, if any, including any sales made?

WECB's response: *It is currently in the planning stages.*

Share of loss of equity - accounted associate worsened from RM133,764 in FY 2020 to RM1.5 million in FY 2021. (page 56 of Annual Report 2021)

Question 6: What were the reasons for the increasing loss and when is the associate expected to turn profitable?

WECB's response: *The losses incurred by the associate company are driven by depreciation and finance cost. The share of losses increased in FY2021 as the losses were accounted for a full financial year (4 quarters) relative to FY2020 as the interest into the associate company was only acquired back in Q4 of FY2020.*

Inventories written off increased significantly to RM1.062 million in FY 2021 from RM44,348 in FY 2020. (page 90 of Annual Report 2021)

Question 7: What were the reasons for the significant increase in inventories written off? Does it not warrant the need to review the inventory management system?

WECB's response: *The increase in inventories written off are an accumulation of aging stocks since FY2019 and disposition for the stocks were only implemented in FY2021. Provisions for aging stocks are appropriately accounted for and taken in on a timely manner. The management will continuously work to address any shortcomings and areas of improvement on the Group's inventory management system.*

Corporate Governance Matters

The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM15,100.00. (page 36 of Annual Report 2021).

Question 1: Given that the fee is rather small (approximately RM1,258 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?

WECB's response: *The internal audit (IA) function is outsourced to an independent professional consulting firm. The firm undertake independent and period reviews of the systems of internal controls. Relying on a risk-based approach, the firm will propose and design an annual internal audit plan which is then presented to the Audit Committee (AC) for review and approval and is tasked to provide the AC with independent and objective report on the state of internal controls within the Group and extent of compliance with the Group's policies and procedures as well as relevant statutory requirements. The IA function carried out 2 cycles of internal audits during FY2021.*

1.3 As there was no further question, Datuk Chairman then declared that the Audited Financial Statements were duly tabled and received by the shareholders. He then requested for Ms. Anstey Yong to take the shareholders through the 10 Ordinary Resolutions for today's meeting.

2.1 Ms. Anstey Yong 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: How the group move up the value chain?

WECB's response: *The Group contemplates to move up the value chain by offering higher value-added services and expansion into large complex assembly and structure for the semiconductor industry.*

Question 2: How the prospect of the manufacturing segment? Any plan to expand capacity? Any new customers?

WECB's response: *The Group's manufacturing segment near to medium term outlook remain positive buoyed by healthy orders from customers in the semiconductor and E&E sector. The Group will respond accordingly to manage the capacity requirement to meet the anticipated customer demand and sustain future development of the business. The Sales and Marketing team is constantly working to grow and expand our customer base.*

Shareholder 2:

Question 3: What are the major cost components in our manufacturing business? How much Capex we plan to spend for the next 1 to 3 years?

WECB's response: *In general, the 3 major cost components in our industry are manpower, machines and raw material. The Group anticipate to increase its Capex over the next 1 - 3 years as compared to prior years to modernize our factory with more advance and efficient machinery to keep up with customer requirements as well as upgrades to our manufacturing software and automation solutions.*

Question 4: What is our current utilisation rate and the expectation of future utilisation rate? What is the overall GP margin for sales of precision metal stamped parts, and sheets metal? What are the top 3 KPIs that management will look at when operating the business? What will drive our business? In what circumstances, our business will be busiest? What are the factors that will affect our business? What concern the management most?

WECB's response: *Current utilisation rate is ~85% and we expect future utilisation rate to continue to trend in the high 80%-90% due to the surge in orders. GP margins ranges between mid teens to around 30% depending on product complexity. The 3 KPIs are 1) Sustainable revenue growth 2) Customer base diversification 3) Service and product quality.*

The growth in our Group's manufacturing is largely aligned to the expansion in the semiconductor and E&E industry. The factors that affect our business includes fluctuation of input cost including raw materials and labor, manpower shortages, supply chain disruption as well as foreign currency fluctuation (USD).

Question 5: Good morning, Board of Directors and the management of the company, I am a new shareholder and first time attending Wong's general meeting, thus would like to know more about the company. Can the BoD kindly share with us: 1. What is the revenue breakdown of the company in term of industry that we serviced in Manufacturing division? 2. How much potential revenue can be generated if we fully utilized existing capacity? 3. What type of machine we have and number of each type of machines?

WECB's response: *~80% of our Manufacturing revenue are derived from customers from the semiconductor and electrical and electronics industry. The remaining 20% of Mfg revenue are derived from industrial equipment, power, oil and gas. The Group targets to achieve double digit growth in revenue year on year by fully utilizing existing capacity.*

The Group's manufacturing has capabilities in sheet metal, CNC fabrication, surface treatment and finishing as well as semi modular and final assembly. Our machines include stamping, laser cut, turning, 3 axis machining and multi-axis (7&9) turn mills.