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

Summary of key discussion matters from Minutes of the 26th 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 Tuesday, 28 March 2023 at 10.00 am.

1. To receive the Audited Financial Statements for the financial year ended 31 October 2022 together with the Reports of the Directors and Auditors thereon

1.1 Ms Anstey Yong 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 2022 ("FYE2022") together with the Reports of the Directors and Auditors thereon.

1.2 She informed that the Board had received a Query Letter dated 21 March 2023 from Minority Shareholders Watch Group ("MSWG") and the Company's response was projected on screen.

Operational & Financial Matters

The Group's precision engineering segment's pre-tax profit grew by 76.1% to RM8.46 million in FY2022 from RM4.80 million a year ago, mainly due to stronger demand for metal fabricated components, improved factory utilization, favourable product mix and a stronger US dollar (page 18 of Annual Report ("AR") 2022).

Question 1: Please provide insights on whether the Group expects to maintain this growth in the current financial year, as well as the potential factors that could impact the performance of this segment?

WECB's response: *The performance of our precision engineering segment is driven largely by demand from customers in the electrical and electronics (E&E) and semiconductor sector. The growth observed in FY2022 was largely supported by tailwinds from a surge in demand and backlog orders from these sectors owing to the semiconductor shortage and capacity expansion following the supply constraints induced by the Covid-19 pandemic aside from new product launches. Due to higher uncertainties in the macroeconomic conditions as inflation globally remains unabated coupled with rising interest rates, the outlook for growth is subdued as E&E and semiconductor sectors are guiding weaker forecast and decreased orders as inventories remain elevated amidst weaker demand.*

The Group's precision engineering segment's revenue from Europe increased notably by 134% year-on-year to RM8.54 in FY2022 million (page 117 of AR2022).

Question 2: Which specific metal fabricated products contributed to the increase in revenue from Europe, and what industries or applications are they used in? Were there any specific industry trends or factors that contributed to the increased demand?

WECB's response: *The increase in revenue from Europe was driven by both sheet metal and CNC precision fabrication components for customer in E&E and telecommunication sector. The surge in demand was attributed to inventory management strategy to support customer's new product launch and ramping.*

The Group has contracted to acquire new CNC fibre laser combination machines and press brakes for sheet metal bending. Furthermore, the Group is currently in the process of constructing a new factory cum warehouse on Lot 25, with completion set for the second half of 2023 (page 17 of AR2022)

Question 3(a): How much of an increase in productivity, revenue and profitability does the Group expect to achieve as a result of the new machines and factory?

WECB's response: *The new CNC fibre laser combination machine and new press brakes are expected to expand our sheet metal division capacity by approximately 20%. With the added capacity, the Group targets to increase revenue from Precision Engineering between 6-8% and mid to low single digit growth in profitability subject to various other conditions such as order demand and utilisation, product mix and fluctuation in input cost and overhead. The new factory cum warehouse provides an avenue for the Group to expand its manufacturing floor space by up to 100,000 square foot as required.*

Question 3(b): How does the Group plan to leverage on its new plant and machinery to expand into new markets or sectors, and were these investments made in response to market demand or as part of a broader strategic plan?

WECB's response: *The investments to acquire new machine and equipment are driven by market demand and prospects for precision fabricated components is expected to remain positive over the longer term despite its cyclical nature presently being largely correlated to demand from E&E and semiconductor sectors. With regards to the acquisition of Lot 25, it was part of a broader strategic plan as it is located adjacent to our current location thus offering ease for expansion should the need arises.*

Question 3(c): What is the current utilization rate at your existing factory?

WECB's response: *The current utilization is approximately 60-65%.*

The Group supports a wide range of prominent multi-national customers all over the globe coming from a wide spectrum of industries including electrical and electronics, semiconductor, test instruments, telecommunication, digital imaging, healthcare, and oil and gas (page 18 of AR2022).

Question 4: Please provide an overview of the performance of each industry segment that the Group serves. Which of these industries have shown the most growth or potential for growth?

WECB's response: *Owing to its similarities and high correlation, the Group combines E&E, semiconductor, test instruments and telecommunication under a single sector which has performed positively with a surge of demand and backlog orders driven by semiconductor shortage and capacity expansion following the supply constraints induced by the Covid-19 pandemic, proliferation of 5G technology and the rise in adoption of cloud computing. In contrast, orders from digital imaging, healthcare and oil and gas have remained fairly stable over the years attributed to its long product life cycle and minimal revision nature as compared to those from the E&E and semiconductor sector. The Group is confident with the growth prospects from E&E and semiconductor sector despite its near-term challenges as the continuous process improvement in the production of highly advanced semiconductors and development of next generation telecommunication technology will persist to bolster demand for precision fabricated components.*

The Group's construction and property development segment did not perform well in FY2022, due to the Kuchai Lama project nearing completion and the share of loss from an associate company (page 17 of AR2022).

Question 5(a): Please elaborate on the Group's growth plans for this segment and provide specific details on the types of opportunities being sought in both residential and non-residential subsectors.

WECB's response: *The Group's growth plan for Construction & PD includes its associate company, Broadway Lifestyle Sdn. Bhd. (BLSB) which has acquired a parcel of land in Sepang, Selangor back in 2020. Based on preliminary discussions, BLSB intends to undertake the development of industrial factories and warehouses on the subject land and the proposed development is currently in the planning stages.*

Question 5(b): Given the recent losses in this segment, and the success of the precision engineering business, does the Group have any plans to potentially exit this segment and reallocate resources towards the precision engineering business?

WECB's response: *The Group remains committed to its Construction & PD segment as part of the Group's wider diversification strategy owing to the highly competitive business nature within our Precision Engineering segment that is largely dependent on the E&E and semiconductor sector which are subject to the vagaries of boom-and-bust cycle. However, Precision Engineering will remain as the Group's core segment and resources will be allocated accordingly in response to market needs, customer demand and to better contend with the stiff competition.*

Corporate Governance Matters

Practice 5.9 of the Malaysian Code of Corporate Governance stipulates that the Board comprises at least 30% women directors.

However, Wong Engineering Corp's Board currently consists of only one woman director out of a total of six directors.

Question 1: What actions has the Board taken or intends to take to ensure that it meets the 30% representation of women directors? Furthermore, does the Board have a concrete plan to accomplish this objective within a reasonable timeframe of three years or less?

WECB's response: *The NC reviewed the size and composition of the Board as well as the skills and core competencies of its members to ensure an appropriate balance and diversity of skills and experience. The ability of a director to serve largely depends on the individual's calibre, qualification, experience and personal attributes. In this respect, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. If the Board decides to increase its board size in the future, gender diversity shall be one of its key considerations in its search criteria for its review and selection of potential candidate(s) for the Board's membership.*

1.3 As there was no question, Ms Anstey Yong then declared that the Audited Financial Statements were duly tabled and received by the shareholders. She then took the shareholders through the 9 Ordinary Resolutions for today's meeting.

2. Q&A SESSION

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: Will 2023 be a better year than 2022 or will it be worse due to the various challenges? What is the business outlook for the next 3 months?

WECB's response: *The outlook for our Precision Engineering segment is projected to be challenging due to mounting economic and market headwinds as inflation globally remains unabated despite the rising interest rates. Performance over the near term is expected to be subdued as customer inventories remain elevated as a result of build-up from prior quarters and orders are expected to moderate as customers resolve the excess inventory amidst weaker demand.*

Question 2: What is the impact of amended employment act on the cost structure?

WECB's response: *The amended employment act which includes changes to the maximum working hours, increased maternity leave and paternity leave among others is not expected to impact the operation or the cost structure of the Group.*

Shareholder 2:

Question 3: Is the Company giving any e-vouchers to shareholders attending this AGM?

Shareholder 3:

Question 4: Will the board be considering giving us loyal shareholders any form of doorgift such as e-wallet like most public listed companies?

Shareholder 4:

Question 5: Is there any door gift or e-wallet to AGM attendees?

Shareholder 5:

Question 6: Will the Board consider giving door gifts such as e-voucher or e-wallets for those participating in this AGM as a token of appreciation?

WECB's response: *No, the Company does not provide any door gifts including e-vouchers/e-wallet to shareholders/proxies who participate remotely in the virtual AGM as we believe in rewarding the shareholders more substantively, for example via declaration of better dividends.*

Question 7: Please present the questions from MSWG. Thank you.

WECB's response: *We have presented the answers to the queries raised by MSWG earlier in the meeting. We will send the reply letter to MSWG accordingly.*
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2.2 Ms Anstey Yong then invited the Datuk Chairman to continue with the meeting.