

**Wong Engineering Corporation Berhad**  
(Company No. 409959 - W)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Financial statements for the year  
ended 31 October 2014**

**Wong Engineering Corporation Berhad**  
 (Company No. 409959 - W)  
 (Incorporated in Malaysia)  
**and its subsidiaries**

**Directors' report for the year ended 31 October 2014**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 October 2014.

**Principal activities**

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

**Results**

	<b>Group RM</b>	<b>Company RM</b>
Loss for the year attributable to owners of the Company	<u>5,146,705</u>	<u>145,531</u>

**Reserves and provisions**

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

**Dividend**

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

## Directors of the Company

Directors who served since the date of the last report are :

Dato' Wong Kem Woh	- Chairman & Chief Executive Officer
Wong Kem Chew	- Executive Director
Chang Joo Huat	- Executive Director
Wong Kam Hooi	- Non-Independent & Non-Executive Director
Lim Gin Chuan	- Independent & Non-Executive Director
Dato' Haji Man Bin Mat	- Independent & Non-Executive Director
Teh Eng Aun	- Independent & Non-Executive Director (Appointed on 28 May 2014)
Tang Yin Kham	- Senior Independent & Non-Executive Director (Retired on 16 April 2014)

## Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares of RM0.50 each			
	At 01.11.2013	Bought	(Sold)	At 31.10.2014
Dato' Wong Kem Woh				
Interests in the Company :				
- own	1,202,992	-	-	1,202,992
Deemed interests in the Company :				
- own	39,324,998	-	-	39,324,998
- others *	592,000	-	-	592,000

\* Datin Choong Ewe May is the spouse of Dato' Wong Kem Woh. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests of Datin Choong Ewe May in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) shall also be treated as the interests of Dato' Wong Kem Woh.

**Directors' interests in shares (continued)**

	Number of ordinary shares of RM0.50 each			
	At 01.11.2013	Bought	(Sold)	At 31.10.2014
<b>Wong Kem Chew</b>				
Interests in the Company :				
- own	1,064,666	-	-	1,064,666
Deemed interests in the Company :				
- own	39,324,998	-	-	39,324,998
- others **	1,026,500	-	-	1,026,500

\*\* Madam Tan Guek Huwa is the spouse of Mr. Wong Kem Chew. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests of Madam Tan Guek Huwa in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) shall also be treated as the interests of Mr. Wong Kem Chew.

	Number of ordinary shares of RM0.50 each			
	At 01.11.2013	Bought	(Sold)	At 31.10.2014
<b>Wong Kam Hooi</b>				
Interests in the Company :				
- own	1,158,664	-	(100,000)	1,058,664
Deemed interests in the Company :				
- own	39,324,998	-	-	39,324,998
- others ***	586,900	-	-	586,900

\*\*\* Madam Tan Hong Yok and Mr. Wong Seik Pin are the spouse and son of Mr. Wong Kam Hooi respectively. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests of Madam Tan Hong Yok and Mr. Wong Seik Pin in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) shall also be treated as the interests of Mr. Wong Kam Hooi.

## Directors' interests in shares (continued)

	Number of ordinary shares of RM0.50 each			
	At 01.11.2013	Bought	(Sold)	At 31.10.2014
Chang Joo Huat				
Interests in the Company :				
- own	80,000	-	(20,000)	60,000
Dato' Haji Man Bin Mat				
Interests in the Company :				
- own	174,200	-	-	174,200
	Number of ordinary shares of RM1.00 each			
	At 01.11.2013	Bought	(Sold)	At 31.10.2014
Deemed interests in a subsidiary :				
Wong Exerion Precision Technology Sdn. Bhd.				
- Dato' Wong Kem Woh	1,000,000	-	-	1,000,000
- Wong Kem Chew	1,000,000	-	-	1,000,000
- Wong Kam Hooi	1,000,000	-	-	1,000,000

By virtue of their interests in the shares of the Company, Dato' Wong Kem Woh, Mr. Wong Kem Chew and Mr. Wong Kam Hooi are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 October 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than professional fees payable to firms in which certain Directors have substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **Issue of shares and debentures**

There were no changes in the authorised, issued and paid-up capital of the Company and no debentures were issued during the financial year.

## **Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

## **Shares buy-back/resale**

At an Annual General Meeting held on 16 April 2014, the shareholders had approved a resolution for the Company to purchase its own shares.

During the financial year, the Company repurchased 9,000 of its ordinary shares from the open market at an average price of RM0.59 per share and resold 1,830,000 of its ordinary shares to the open market at an average price of RM0.74 per share. The relevant details of the shares buy-back/resale are disclosed in Note 9 to the financial statements.

## **Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) there are no bad debts to be written off and no provision needs to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

## **Other statutory information (continued)**

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 October 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.


## **Subsequent events**

The details of such events are disclosed in Note 25 to the financial statements.

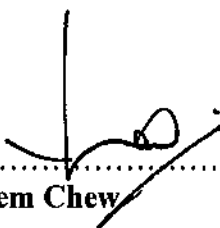
## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :



.....  
**Dato' Wong Kem Woh**



.....  
**Wong Kem Chew**

Penang,

Date : 12 February 2015



# Wong Engineering Corporation Berhad

(Company No. 409959 - W)

(Incorporated in Malaysia)

## and its subsidiaries

### Consolidated statement of financial position as at 31 October 2014

	Note	2014 RM	2013 RM
<b>Assets</b>			
Property, plant and equipment	3	48,617,187	51,184,149
<b>Total non-current asset</b>		<u>48,617,187</u>	<u>51,184,149</u>
Inventories	5	8,668,724	9,764,839
Current tax assets		192,400	318,058
Trade and other receivables	6	6,706,323	4,824,591
Cash and cash equivalents	7	2,464,503	6,767,568
<b>Total current assets</b>		<u>18,031,950</u>	<u>21,675,056</u>
<b>Total assets</b>		<u>66,649,137</u>	<u>72,859,205</u>
<b>Equity</b>			
Share capital	8	45,844,000	45,844,000
Reserves	9	10,502,134	14,299,830
<b>Total equity attributable to owners of the Company</b>		<u>56,346,134</u>	<u>60,143,830</u>

## Consolidated statement of financial position as at 31 October 2014 (continued)

	Note	2014 RM	2013 RM
<b>Liabilities</b>			
Loans and borrowings	10	3,051,660	4,200,535
Deferred tax liabilities	11	-	36,677
<b>Total non-current liabilities</b>		<u>3,051,660</u>	<u>4,237,212</u>
Loans and borrowings	10	2,534,923	3,581,373
Trade and other payables	12	4,716,420	4,896,790
<b>Total current liabilities</b>		<u>7,251,343</u>	<u>8,478,163</u>
<b>Total liabilities</b>		<u>10,303,003</u>	<u>12,715,375</u>
<b>Total equity and liabilities</b>		<u>66,649,137</u>	<u>72,859,205</u>

The notes on pages 18 to 70 are an integral part of these financial statements.

## Wong Engineering Corporation Berhad

(Company No. 409959 - W)

(Incorporated in Malaysia)

### and its subsidiaries

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 October 2014

	Note	2014 RM	2013 RM
<b>Continuing operations</b>			
Revenue	13	26,670,095	30,048,513
Cost of sales		(26,039,080)	(27,250,957)
<b>Gross profit</b>		<u>631,015</u>	<u>2,797,556</u>
Administrative expenses		(5,676,360)	(6,291,313)
Other expenses		(16,930)	(17,836)
Other income		378,021	592,328
<b>Results from operating activities</b>		<u>(4,684,254)</u>	<u>(2,919,265)</u>
Finance costs	16	(441,532)	(448,545)
<b>Loss before tax</b>		<u>(5,125,786)</u>	<u>(3,367,810)</u>
Tax (expense)/income	17	(20,919)	18,752
<b>Loss for the year representing total comprehensive expense for the year attributable to owners of the Company</b>	14	<u>(5,146,705)</u>	<u>(3,349,058)</u>
<b>Basic loss per ordinary share (sen)</b>	18	<u>(5.65)</u>	<u>(3.73)</u>

The notes on pages 18 to 70 are an integral part of these financial statements.

**Wong Engineering Corporation Berhad**  
 (Company No. 409959-W)  
 (Incorporated in Malaysia)  
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**Consolidated statement of changes in equity for the year ended 31 October 2014**

	Attributable to owners of the Company		Attributable to owners of the Company		Total equity RM
	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	
	Note			(Accumulated losses)/	
<b>At 1 November 2012</b>		45,844,000	11,568,727	(909,275)	63,495,770
Loss for the year representing total comprehensive expense for the year		-	-	(3,349,058)	(3,349,058)
Treasury shares acquired representing total transactions with owners of the Company	9	-	-	(2,882)	(2,882)
<b>At 31 October 2013/1 November 2013</b>		45,844,000	11,568,727	(912,157)	60,143,830
Loss for the year representing total comprehensive expense for the year		-	-	(5,146,705)	(5,146,705)
Treasury shares sold representing total transactions with owners of the Company, net		-	496,341	852,668	1,349,009
<b>At 31 October 2014</b>		45,844,000	12,065,068	(59,489)	56,346,134

The notes on pages 18 to 70 are an integral part of these financial statements.

## Wong Engineering Corporation Berhad

(Company No. 409959-W)

(Incorporated in Malaysia)

### and its subsidiaries

## Consolidated statement of cash flows for the year ended 31 October 2014

	Note	2014 RM	2013 RM
<b>Cash flows from operating activities</b>			
Loss before tax from continuing operations		(5,125,786)	(3,367,810)
Adjustments for :			
Depreciation of property, plant and equipment	3	4,844,620	4,435,935
Interest expense	16	441,532	448,545
Interest income		(92,435)	(151,030)
Gain on disposal of plant and equipment		(18,521)	(216,505)
Plant and equipment written off		16,282	-
<b>Operating profit before changes in working capital</b>		<b>65,692</b>	<b>1,149,135</b>
Change in inventories		1,096,115	959,766
Change in trade and other receivables		(1,881,732)	1,279,405
Change in trade and other payables		(180,370)	(343,685)
<b>Cash (used in)/generated from operations</b>		<b>(900,295)</b>	<b>3,044,621</b>
Tax refunded		68,062	93,125
<b>Net cash (used in)/from operating activities</b>		<b>(832,233)</b>	<b>3,137,746</b>

## Consolidated statement of cash flows for the year ended 31 October 2014 (continued)

	Note	2014 RM	2013 RM
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment	A	(1,021,523)	(1,687,972)
Proceeds from disposal of plant and equipment		281,104	230,575
Interest received		92,435	151,030
<b>Net cash used in investing activities</b>		<b>(647,984)</b>	<b>(1,306,367)</b>
<b>Cash flows from financing activities</b>			
Repayment of finance lease liabilities		(3,730,325)	(3,129,062)
Repurchase of treasury shares	9	(5,343)	(2,882)
Proceeds from sales of treasury shares		1,354,352	-
Interest paid		(441,532)	(448,545)
<b>Net cash used in financing activities</b>		<b>(2,822,848)</b>	<b>(3,580,489)</b>
Net decrease in cash and cash equivalents		(4,303,065)	(1,749,110)
Cash and cash equivalents at 1 November		6,767,568	8,516,678
<b>Cash and cash equivalents at 31 October</b>	B	<b>2,464,503</b>	<b>6,767,568</b>

### Notes

#### A. Acquisition of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM2,556,523 (2013 : RM7,180,277), of which RM1,021,523 (2013 : RM1,687,972) were paid by cash. The balance of RM1,535,000 (2013 : RM5,492,305) were acquired by means of finance lease.

#### B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the consolidated statement of financial position amounts as shown in Note 7 to the financial statements.

## Wong Engineering Corporation Berhad

(Company No. 409959 - W)

(Incorporated in Malaysia)

### Statement of financial position as at 31 October 2014

	Note	2014 RM	2013 RM
<b>Assets</b>			
Investment in subsidiaries	4	22,685,851	22,702,447
<b>Total non-current asset</b>		<u>22,685,851</u>	<u>22,702,447</u>
Trade and other receivables	6	40,127,938	37,923,752
Cash and cash equivalents	7	492	57,854
<b>Total current assets</b>		<u>40,128,430</u>	<u>37,981,606</u>
<b>Total assets</b>		<u>62,814,281</u>	<u>60,684,053</u>
<b>Equity</b>			
Share capital	8	45,844,000	45,844,000
Reserves	9	15,837,496	14,634,018
<b>Total equity</b>		<u>61,681,496</u>	<u>60,478,018</u>
<b>Liability</b>			
Trade and other payables	12	1,132,785	206,035
<b>Total current liability</b>		<u>1,132,785</u>	<u>206,035</u>
<b>Total equity and liability</b>		<u>62,814,281</u>	<u>60,684,053</u>

The notes on pages 18 to 70 are an integral part of these financial statements.

## Wong Engineering Corporation Berhad

(Company No. 409959 - W)

(Incorporated in Malaysia)

### Statement of profit or loss and other comprehensive income for the year ended 31 October 2014

	Note	2014 RM	2013 RM
<b>Continuing operations</b>			
Revenue	13	167,000	167,800
Administrative expenses		(295,935)	(264,491)
Other expenses		(16,596)	-
<b>Loss before tax</b>		<u>(145,531)</u>	<u>(96,691)</u>
Tax expense	17	-	-
<b>Loss for the year representing total comprehensive expense attributable to owners of the Company</b>	14	<u>(145,531)</u>	<u>(96,691)</u>

The notes on pages 18 to 70 are an integral part of these financial statements.



**Wong Engineering Corporation Berhad**  
 (Company No. 409959-W)  
 (Incorporated in Malaysia)

**Statement of changes in equity for the year ended 31 October 2014**

Note	Attributable to owners of the Company				Total equity RM
	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	
<b>At 1 November 2012</b>	45,844,000	11,568,727	(909,275)	4,074,139	60,577,591
Loss for the year representing total comprehensive expense for the year	-	-	-	(96,691)	(96,691)
Treasury shares acquired representing total transactions with owners of the Company	-	-	(2,882)	-	(2,882)
<b>At 31 October 2013/1 November 2013</b>	<b>45,844,000</b>	<b>11,568,727</b>	<b>(912,157)</b>	<b>3,977,448</b>	<b>60,478,018</b>
Loss for the year representing total comprehensive expense for the year	-	-	-	(145,531)	(145,531)
Treasury shares sold representing total transactions with owners of the Company, net	-	496,341	852,668	-	1,349,009
<b>At 31 October 2014</b>	<b>45,844,000</b>	<b>12,065,068</b>	<b>(59,489)</b>	<b>3,831,917</b>	<b>61,681,496</b>

The notes on pages 18 to 70 are an integral part of these financial statements.

## Wong Engineering Corporation Berhad

(Company No. 409959-W)

(Incorporated in Malaysia)

### Statement of cash flows for the year ended 31 October 2014

	Note	2014 RM	2013 RM
<b>Cash flows from operating activities</b>			
Loss before tax from continuing operation		(145,531)	(96,691)
Adjustment for :			
Impairment loss on investment in a subsidiary		16,596	-
<b>Operating loss before changes in working capital</b>		<u>(128,935)</u>	<u>(96,691)</u>
Change in trade and other receivables		(2,204,186)	49,688
Change in trade and other payables		926,750	18,124
<b>Cash used in operations</b>		<u>(1,406,371)</u>	<u>(28,879)</u>
Tax refunded		-	64,247
<b>Net cash (used in)/from operating activities</b>		<u>(1,406,371)</u>	<u>35,368</u>
<b>Cash flows from financing activities</b>			
Repurchase of treasury shares	9	(5,343)	(2,882)
Proceeds from sale of treasury shares		1,354,352	-
<b>Net cash from/(used in) financing activities</b>		<u>1,349,009</u>	<u>(2,882)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(57,362)</u>	<u>32,486</u>
Cash and cash equivalents at 1 November		57,854	25,368
<b>Cash and cash equivalents at 31 October</b>	7	<u><u>492</u></u>	<u><u>57,854</u></u>

#### Note

Cash and cash equivalents included in the statement of cash flows comprise the statement of financial position amounts as shown in Note 7 to the financial statements.

The notes on pages 18 to 70 are an integral part of these financial statements.

# **Wong Engineering Corporation Berhad**

(Company No. 409959 - W)

(Incorporated in Malaysia)

## **and its subsidiaries**

### **Notes to the financial statements**

Wong Engineering Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows :

#### **Principal place of business**

Lot 24, Jalan Hi-Tech 4  
Kulim Hi-Tech Park (Phase 1)  
09000 Kulim  
Kedah Darul Aman

#### **Registered office**

Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 October 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 October 2014 do not include other entities.

The Company is principally engaged in investment holding activities while the other Group entities are principally engaged in manufacture of high precision metal stamped parts, sheet metals and turned metal components, trading, marketing and retailing of industrial and consumer products and design, manufacture and supply of complex welded frame structures, related modules and systems.

These financial statements were authorised for issue by the Board of Directors on 12 February 2015.

## **1. Basis of preparation**

### **(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

#### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014*

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities\**
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting\**
- IC Interpretation 21, *Levies\**

#### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014*

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)\**
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions\**
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)\**
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)\**

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016*

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*#
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*#
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*#
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*#
- MFRS 14, *Regulatory Deferral Accounts*#
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*#
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017*

- MFRS 15, *Revenue from Contracts with Customers*

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018*

- MFRS 9, *Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 November 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014, except for those marked “\*” which are not applicable to the Group and the Company.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

- from the annual period beginning on 1 November 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for those marked “#” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 November 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 November 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the above mentioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below :

#### ***MFRS 9, Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

#### ***MFRS 15, Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmers*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM, unless otherwise stated.

## 1. Basis of preparation (continued)

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies :

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (i) Subsidiaries (continued)

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.



## **2. Significant accounting policies (continued)**

### **(a) Basis of consolidation (continued)**

#### **(iii) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### **(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### **(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

### **(c) Financial instruments**

#### **(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (i) Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

##### **Financial assets**

##### **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(i)(i)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (iii) Financial guarantee contracts (continued)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to :

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows :

	%
Leasehold land	2
Buildings	2
Plant and machinery	10
Furniture, fittings and office equipment	6.67 - 50
Motor vehicles	16

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

## 2. Significant accounting policies (continued)

### (e) Leased assets (continued)

#### (ii) Operating lease (continued)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses.

#### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

## 2. Significant accounting policies (continued)

### (g) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (i) Impairment

#### (i) Financial assets

All financial assets except for investment in subsidiaries are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

## 2. Significant accounting policies (continued)

### (i) Impairment (continued)

#### (ii) Other assets

The carrying amounts of other assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on-a-pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.



## 2. Significant accounting policies (continued)

### (j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (k) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## 2. Significant accounting policies (continued)

### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (m) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

#### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

#### (iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

#### (v) Management fee income

Management fee income is recognised as it accrues, when the Group's or the Company's right to receive payment is established.

## **2. Significant accounting policies (continued)**

### **(m) Revenue and other income (continued)**

#### **(vi) Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

### **(n) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### **(o) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

## **2. Significant accounting policies (continued)**

### **(o) Income tax (continued)**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences : the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

### **(p) Earnings per ordinary share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### **(q) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## 2. Significant accounting policies (continued)

### (r) Contingencies

#### Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (s) Fair value measurement

From 1 November 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

### 3. Property, plant and equipment - Group

Cost	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
At 1 November 2012	1,315,000	5,262,364	34,695,059	52,981,539	12,504,518	2,484,977	966,175	110,209,632
Additions	-	-	-	6,441,199	564,578	174,500	-	7,180,277
Disposals	-	-	-	(712,608)	-	(87,134)	-	(799,742)
Write-off	-	-	-	-	(240,879)	-	-	(240,879)
Reclassification	-	-	-	907,855	-	-	(907,855)	-
At 31 October 2013/1 November 2013	1,315,000	5,262,364	34,695,059	59,617,985	12,828,217	2,572,343	58,320	116,349,288
Additions	-	-	-	540,999	846,777	1,168,747	-	2,556,523
Disposals	-	-	-	-	-	(1,580,766)	-	(1,580,766)
Write-off	-	-	-	(2,593,193)	(11,000)	-	-	(2,604,193)
At 31 October 2014	1,315,000	5,262,364	34,695,059	57,565,791	13,663,994	2,160,324	58,320	114,720,852

### 3. Property, plant and equipment – Group (continued)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
<b>Depreciation and impairment loss</b>								
At 1 November 2012								
- Accumulated depreciation	-	1,389,019	10,397,883	40,241,163	7,583,842	1,792,062	-	61,403,969
- Accumulated impairment loss	-	-	-	351,786	-	-	-	351,786
Depreciation for the year	-	1,389,019	10,397,883	40,592,949	7,583,842	1,792,062	-	61,755,755
Disposals	-	87,706	694,799	2,670,176	782,428	200,826	-	4,435,935
Write-off	-	-	-	(698,538)	-	(87,134)	-	(785,672)
	-	-	-	-	(240,879)	-	-	(240,879)
At 31 October 2013/1 November 2013								
- Accumulated depreciation	-	1,476,725	11,092,682	42,212,801	8,125,391	1,905,754	-	64,813,353
- Accumulated impairment loss	-	-	-	351,786	-	-	-	351,786
Depreciation for the year	-	1,476,725	11,092,682	42,564,587	8,125,391	1,905,754	-	65,165,139
Disposals	-	87,706	681,223	2,967,195	899,001	209,495	-	4,844,620
Write-off	-	-	-	-	-	(1,318,183)	-	(1,318,183)
	-	-	-	(2,586,444)	(1,467)	-	-	(2,587,911)
At 31 October 2014								
- Accumulated depreciation	-	1,564,431	11,773,905	42,593,552	9,022,925	797,066	-	65,751,879
- Accumulated impairment loss	-	-	-	351,786	-	-	-	351,786
	-	1,564,431	11,773,905	42,945,338	9,022,925	797,066	-	66,103,665
<b>Carrying amounts</b>								
At 31 October 2013/1 November 2013	1,315,000	3,785,639	23,602,377	17,053,398	4,702,826	666,589	58,320	51,184,149
At 31 October 2014	1,315,000	3,697,933	22,921,154	14,620,453	4,641,069	1,363,258	58,320	48,617,187

### 3. Property, plant and equipment - Group (continued)

#### 3.1 Assets under finance lease

Included in the carrying amounts of plant and equipment are assets acquired under finance lease amounting to RM10,575,482 (2013 : RM10,619,807).

#### 3.2 Security

Property, plant and equipment of the Group with carrying amount of RM3,385,440 (2013 : RM3,450,141) are charged to bank for bank facilities granted to a subsidiary.

### 4. Investment in subsidiaries - Company

	2014 RM	2013 RM
Unquoted shares, at cost	28,130,743	28,130,743
Accumulated impairment losses		
At 1 November	(5,428,296)	(5,428,296)
Impairment loss for the year	(16,596)	-
At 31 October	(5,444,892)	(5,428,296)
	<u>22,685,851</u>	<u>22,702,447</u>

Details of the subsidiaries are as follows :

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2014 %	2013 %
Wong Engineering Industries Sdn. Bhd.	Design and manufacture of high precision metal stamped parts and sheet metals	100	100
Wong Engineering Electronics Sdn. Bhd.	Manufacture of high precision turned metal components	100	100
WEC Marketing Sdn. Bhd.	Trading, marketing and retailing of industrial and consumer products	100	100



#### 4. Investment in subsidiaries - Company (continued)

Details of the subsidiaries are as follows (continued) :

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2014 %	2013 %
Wong Engineering Metals (M) Sdn. Bhd.	Dormant	100	100
<i>Subsidiary of Wong Engineering Industries Sdn. Bhd.</i>			
Wong Exerion Precision Technology Sdn. Bhd.	Design, manufacture and supply of complex welded frame structures, related modules and systems	100	100

All the subsidiaries are incorporated in Malaysia.

#### 5. Inventories - Group

	2014 RM	2013 RM
At cost :		
Raw materials	3,392,934	3,796,447
Work-in-progress	2,453,683	2,883,785
Manufactured inventories	1,969,529	2,816,915
	<u>7,816,146</u>	<u>9,497,147</u>
At net realisable value :		
Manufactured inventories	852,578	267,692
	<u>8,668,724</u>	<u>9,764,839</u>

The write down of inventories during the year amounted to RM204,104 (2013 : RM464,218) and is included in the cost of sales.

## 6. Trade and other receivables

<b>Group</b>	<b>Note</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Trade</b>			
Trade receivables		6,377,811	4,493,205
<b>Non-trade</b>			
Other receivables		105,808	235,959
Deposits		25,372	37,592
Prepayments		197,332	57,835
		328,512	331,386
		<u>6,706,323</u>	<u>4,824,591</u>
<b>Company</b>			
	<b>Note</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Non-trade</b>			
Amount due from subsidiaries	6.1	40,126,938	37,922,752
Deposits		1,000	1,000
		<u>40,127,938</u>	<u>37,923,752</u>

### 6.1 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest free and repayable on demand.

## 7. Cash and cash equivalents

<b>Group</b>	<b>2014 RM</b>	<b>2013 RM</b>
Short term deposits placed with licensed banks	1,350,000	5,000,000
Cash and bank balances	1,114,503	1,767,568
	<u>2,464,503</u>	<u>6,767,568</u>

## 7. Cash and cash equivalents (continued)

Company	2014 RM	2013 RM
Cash and bank balances	<u>492</u>	<u>57,854</u>

## 8. Share capital - Group/Company

	← 2014 →		← 2013 →	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised :				
Ordinary shares of RM0.50 each	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>	<u>200,000</u>
Issued and fully paid shares classified as equity instruments :				
Ordinary shares of RM0.50 each	<u>45,844</u>	<u>91,688</u>	<u>45,844</u>	<u>91,688</u>

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

## 9. Reserves

	Note	2014 RM	2013 RM
<b>Group</b>			
Non-distributable :			
Share premium	9.1	12,065,068	11,568,727
Treasury shares	9.2	(59,489)	(912,157)
Accumulated losses		(1,503,445)	-
Distributable :			
Retained earnings		-	3,643,260
		<u>10,502,134</u>	<u>14,299,830</u>

## 9. Reserves (continued)

Company	Note	2014 RM	2013 RM
Non-distributable :			
Share premium	9.1	12,065,068	11,568,727
Treasury shares	9.2	(59,489)	(912,157)
Distributable :			
Retained earnings		3,831,917	3,977,448
		<u>15,837,496</u>	<u>14,634,018</u>

The movements of the above reserves are disclosed in the statement of changes in equity.

### 9.1 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

### 9.2 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 16 April 2014, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 9,000 (2013 : 12,900) of its issued ordinary share from the open market. The average price paid for the shares repurchased was RM0.59 (2013 : RM0.22) per ordinary share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

During the financial year, the Company re-issued 1,830,000 treasury shares by resale in the open market. The average resale price of the treasury shares was RM0.74 per ordinary share. The proceeds from the resale will be utilised for working capital purposes.

## 9. Reserves (continued)

### 9.2 Treasury shares (continued)

	← Group/Company →			
	2014		2013	
	Amount RM	Number of shares	Amount RM	Number of shares
Balance at 1 November	912,157	1,947,900	909,275	1,935,000
Shares repurchased	5,343	9,000	2,882	12,900
Shares resale	(858,011)	(1,830,000)	-	-
Balance at 31 October	<u>59,489</u>	<u>126,900</u>	<u>912,157</u>	<u>1,947,900</u>

As at 31 October 2014, the number of outstanding ordinary shares issued and fully paid are therefore 91,561,100 ordinary shares of RM0.50 each after offsetting the treasury shares of 126,900 against 91,688,000 issued and fully paid ordinary shares.

## 10. Loans and borrowings - Group

	2014 RM	2013 RM
<b>Non-current :</b>		
Finance lease liabilities	<u>3,051,660</u>	<u>4,200,535</u>
<b>Current :</b>		
Finance lease liabilities	<u>2,534,923</u>	<u>3,581,373</u>

### 10.1 Finance lease liabilities

Finance lease liabilities are payable as follows :

	← 2014 →			← 2013 →		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than one year	2,791,113	256,190	2,534,923	3,963,550	382,177	3,581,373
Between one and five years	3,296,137	244,477	3,051,660	4,527,985	327,450	4,200,535
	<u>6,087,250</u>	<u>500,667</u>	<u>5,586,583</u>	<u>8,491,535</u>	<u>709,627</u>	<u>7,781,908</u>

## 11. Deferred tax liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities after appropriate off-setting are attributable to the following :

Group	2014 RM	2013 RM
Property, plant and equipment		
- Excess of capital allowance	1,958,322	2,435,511
- Revaluation	798,572	798,572
Unabsorbed capital allowance carry-forwards	(1,572,476)	(851,197)
Unabsorbed reinvestment allowance carry-forwards	(1,049,521)	(2,312,841)
Other items	(134,897)	(33,368)
Net deferred tax liabilities recognised	<u>-</u>	<u>36,677</u>

### Movement in temporary differences during the year

Group	At 1.11.2012 RM	Recognised in profit or loss (Note 17) RM	At 31.10.2013 RM	Recognised in profit or loss (Note 17) RM	At 31.10.2014 RM
Property, plant and equipment					
- Excess of capital allowance	2,511,442	(75,931)	2,435,511	(477,189)	1,958,322
- Revaluation	798,572	-	798,572	-	798,572
Unabsorbed capital allowance carry-forwards	(745,019)	(106,178)	(851,197)	(721,279)	(1,572,476)
Unabsorbed reinvestment allowance carry-forwards	(2,447,569)	134,728	(2,312,841)	1,263,320	(1,049,521)
Other items	(19,707)	(13,661)	(33,368)	(101,529)	(134,897)
	<u>97,719</u>	<u>(61,042)</u>	<u>36,677</u>	<u>(36,677)</u>	<u>-</u>

## 11. Deferred tax liabilities (continued)

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items :

	2014 RM	2013 RM
<b>Group</b>		
Property, plant and equipment		
- Excess of capital allowance	(417,000)	(328,000)
Deductible temporary difference	9,000	7,000
Unutilised tax losses carry-forwards	1,047,000	808,000
Unabsorbed reinvestment allowance carry-forwards	6,768,000	5,932,000
Unabsorbed capital allowance carry-forwards	619,000	390,000
Other items	(12,000)	5,000
	<u>8,014,000</u>	<u>6,814,000</u>
<b>Company</b>		
Unutilised tax losses carry-forwards	<u>105,000</u>	<u>92,000</u>

The unutilised tax losses, unabsorbed capital allowance, unabsorbed reinvestment allowance and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect all the revised unutilised tax losses, unabsorbed capital allowance, unabsorbed reinvestment allowance and other temporary differences available to the Group.

## 12. Trade and other payables

	Note	2014 RM	2013 RM
<b>Group</b>			
<b>Trade</b>			
Trade payables		<u>2,479,129</u>	<u>2,446,700</u>

**12. Trade and other payables (continued)**

	Note	2014 RM	2013 RM
<b>Group</b>			
<b>Non-trade</b>			
Other payables		1,226,866	1,453,402
Accrued expenses		1,010,425	996,688
		<u>2,237,291</u>	<u>2,450,090</u>
		<u>4,716,420</u>	<u>4,896,790</u>
	Note	2014 RM	2013 RM
<b>Company</b>			
<b>Non-trade</b>			
Amount due to subsidiaries	12.1	946,768	-
Other payables		3,168	3,180
Accrued expenses		182,849	202,855
		<u>1,132,785</u>	<u>206,035</u>

**12.1 Amount due to subsidiaries**

The non-trade amount due to subsidiaries is unsecured, interest free and repayable on demand.

**13. Revenue**

	2014 RM	2013 RM
<b>Group</b>		
Sale of goods	<u>26,670,095</u>	<u>30,048,513</u>
<b>Company</b>		
Management fee from subsidiaries	<u>167,000</u>	<u>167,800</u>



## 14. Loss for the year

Loss for the year is arrived at :

<b>Group</b>	<b>2014 RM</b>	<b>2013 RM</b>
After charging :		
Auditors' remuneration		
- Audit fees		
- KPMG	79,000	79,000
- Non-audit fees		
- Other services by KPMG	16,000	6,000
Depreciation of property, plant and equipment (Note 3)	4,844,620	4,435,935
Plant and equipment written off	16,282	-
Rental of buildings	18,880	28,360
Professional fees paid to parties in which certain Directors have substantial financial interests	16,500	16,500
Loss on foreign exchange		
- unrealised	-	17,836
Inventories written down	204,104	464,218
Research and development expenses	4,844	3,500
Personnel expenses (including key management personnel)		
- wages, salaries and others	7,742,535	8,548,915
- contribution to Employees' Provident Fund	572,287	591,140
and after crediting :		
Interest income	92,435	151,030
Gain on disposal of plant and equipment	18,521	216,505
Rental income on premises	54,900	23,230
Gain on foreign exchange		
- realised	70,344	165,443
- unrealised	55,621	-

**14. Loss for the year (continued)**

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Company</b>		
After charging :		
Auditors' remuneration		
- Audit fees		
- KPMG	20,000	20,000
- Non-audit fees		
- Other services by KPMG	16,000	6,000
Impairment loss on investment in a subsidiary	16,596	-
Professional fees paid to parties in which certain Directors have substantial financial interests	2,000	2,000
Personnel expenses (including key management personnel)		
- wages, salaries and others	<u>167,000</u>	<u>167,800</u>

**15. Key management personnel compensation**

The key management personnel compensations are as follows :

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
Directors :		
Fees		
- Directors	318,000	347,000
- Past Director	15,000	-
Remuneration	694,794	719,056
Other short term employees benefits (including estimated monetary value of benefits-in-kind)		
- Directors	22,623	24,594
- Past Director	400	-
Total short-term employee benefits	<u>1,050,817</u>	<u>1,090,650</u>
Other key management personnel :		
- short-term employee benefits (including estimated monetary value of benefits-in-kind)	158,491	165,764
	<u>1,209,308</u>	<u>1,256,414</u>

**15. Key management personnel compensation (continued)**

<b>Company</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Directors :</b>		
<b>Fees</b>		
- Directors	150,000	165,000
- Past Director	15,000	-
<b>Other short term employees benefits (including estimated monetary value of benefits-in-kind)</b>		
- Directors	1,600	2,800
- Past Director	400	-
<b>Total short-term employee benefits</b>	<u>167,000</u>	<u>167,800</u>

Other key management personnel comprise senior management of subsidiaries of the Group having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

**16. Finance costs - Group**

	<b>2014 RM</b>	<b>2013 RM</b>
<b>Interest expense of financial liabilities that are not at fair value through profit or loss :</b>		
Bank overdrafts	11,210	13,715
Finance lease liabilities	430,322	434,830
	<u>441,532</u>	<u>448,545</u>

**17. Tax expense/(income)****Recognised in profit or loss**

<b>Group</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Current tax expense</b>		
- Current year	26,000	-
- Prior year	31,596	42,290
<b>Total current tax recognised in profit or loss</b>	57,596	42,290

**17. Tax expense/(income) (continued)****Recognised in profit or loss (continued)**

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
<b>Deferred tax expense</b>		
- Origination and reversal of temporary differences	(34,927)	(54,896)
- Over provision in prior year	(1,750)	(6,146)
Total deferred tax recognised in profit or loss	(36,677)	(61,042)
Total tax expense/(income)	<u>20,919</u>	<u>(18,752)</u>
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Company</b>		
<b>Current tax expense</b>		
- Current year	-	-
Total tax expense	<u>-</u>	<u>-</u>
<b>Reconciliation of tax expense/(income)</b>		
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
Loss for the year	(5,146,705)	(3,349,058)
Total tax expense/(income)	20,919	(18,752)
Loss excluding tax	<u>(5,125,786)</u>	<u>(3,367,810)</u>
Income tax calculated using Malaysian tax rate of 25% (2013 : 25%)	(1,281,447)	(841,952)
Non-deductible expenses	219,310	129,265
Income not subject to tax	(4,764)	(5,500)
Effect of deferred tax assets not recognised	1,199,475	830,974
Tax incentives	(179,262)	(167,683)
Other items	37,761	-
Under provision in prior year	29,846	36,144
	<u>20,919</u>	<u>(18,752)</u>

## 17. Tax expense/(income) (continued)

### Reconciliation of tax expense/(income) (continued)

Company	2014 RM	2013 RM
Loss excluding tax	<u>(145,531)</u>	<u>(96,691)</u>
Income tax calculated using Malaysian tax rate of 25% (2012 : 25%)	(36,383)	(24,173)
Non-deductible expenses	22,824	14,347
Effect of deferred tax assets not recognised	13,559	9,826
	<u>-</u>	<u>-</u>

## 18. Loss per ordinary share - Group

### *Basic loss per ordinary share*

The calculation of basic loss per ordinary share at 31 October 2014 was based on the loss attributable to ordinary shareholders of RM5,146,705 (2013 : RM3,349,058) and a weighted average number of ordinary shares outstanding, excluding treasury shares held by the Company, calculated as follows :

	2014	2013
Issued ordinary shares at 1 November	89,740,100	89,753,000
Effect of share resale/(buy back)	1,340,936	(12,900)
Weighted average number of ordinary shares at 31 October	<u>91,081,036</u>	<u>89,740,100</u>

## 19. Operating segment

The Group has one operating segment comprises mainly the manufacturing and sale of high precision metal stamped parts and high precision turned metal components. Segment information has not been separately presented because internal reporting uses the Group's financial statements.

The Group's manufacturing activities are performed in Malaysia while sales are mainly performed at three principal geographical areas namely Asia, North and South America and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

## 19. Operating segment (continued)

2014	Asia		Europe RM	North & South America RM	Others RM	Consolidated total RM
	Malaysia RM	Outside Malaysia RM				
Revenue from external customers	17,065,971	5,678,093	2,367,910	721,194	836,927	26,670,095
Non-current assets	48,617,187	-	-	-	-	48,617,187
<b>2013</b>						
Revenue from external customers	15,368,585	10,354,335	1,585,311	1,952,153	788,129	30,048,513
Non-current assets	51,184,149	-	-	-	-	51,184,149

### *Major customers*

The following are major customers with revenue equal or more than 10% of the Group's total revenue :

	2014 RM	2013 RM
- Customer A	5,911,449	4,896,010
- Customer B	4,754,876	4,061,991
- Customer C	2,930,164	*
- Customer D	2,794,610	5,732,197
- Customer E	*	4,748,068

\* The revenue for these customers does not equal or more than 10% of the Group's total revenue.

## 20. Financial instruments

### 20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Loans and receivables ("L&R"); and
- Financial liabilities measured at amortised cost ("FL").

## 20. Financial instruments (continued)

### 20.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R RM
<b>2014</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables (exclude prepayments)	6,508,991	6,508,991
Cash and cash equivalents	2,464,503	2,464,503
	<u>8,973,494</u>	<u>8,973,494</u>
<b>Company</b>		
Trade and other receivables	40,127,938	40,127,938
Cash and cash equivalents	492	492
	<u>40,128,430</u>	<u>40,128,430</u>
	Carrying amount RM	FL RM
<b>2014</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Loans and borrowings	5,586,583	5,586,583
Trade and other payables	4,716,420	4,716,420
	<u>10,303,003</u>	<u>10,303,003</u>
<b>Company</b>		
Trade and other payables	<u>1,132,785</u>	<u>1,132,785</u>

**20. Financial instruments (continued)****20.1 Categories of financial instruments (continued)**

	<b>Carrying amount RM</b>	<b>L&amp;R RM</b>
<b>2013</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables (exclude prepayments)	4,766,756	4,766,756
Cash and cash equivalents	6,767,568	6,767,568
	<u>11,534,324</u>	<u>11,534,324</u>
<b>Company</b>		
Trade and other receivables	37,923,752	37,923,752
Cash and cash equivalents	57,854	57,854
	<u>37,981,606</u>	<u>37,981,606</u>
	<b>Carrying amount RM</b>	<b>FL RM</b>
<b>2013</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Loans and borrowings	7,781,908	7,781,908
Trade and other payables	4,896,790	4,896,790
	<u>12,678,698</u>	<u>12,678,698</u>
<b>Company</b>		
Trade and other payables	<u>206,035</u>	<u>206,035</u>



## 20. Financial instruments (continued)

### 20.2 Net gains and losses arising from financial instruments

	2014 RM	2013 RM
<b>Group</b>		
Net gains/(losses) on :		
Loans and receivables	232,316	357,215
Financial liabilities measured at amortised cost	(455,448)	(507,123)
	<u>(223,132)</u>	<u>(149,908)</u>

### 20.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

### 20.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

#### Receivables

##### *Risk management objectives, policies and processes for managing the risk*

Management has a credit policy and procedure in place for analysing the financial standing of its customers and approving credit limit granted to each customer. Trade receivables are monitored on an ongoing basis via management reporting procedures and reviewed on a monthly basis by the management.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

## 20. Financial instruments (continued)

### 20.4 Credit risk (continued)

#### Receivables (continued)

##### *Exposure to credit risk, credit quality and collateral (continued)*

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2014 RM	2013 RM
<b>Group</b>		
Domestic	4,392,183	2,601,713
Asia	1,099,083	1,564,941
Others	886,545	326,551
	<u>6,377,811</u>	<u>4,493,205</u>

##### *Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	Gross RM	Individual impairment RM	Net RM
<b>Group</b>			
<b>2014</b>			
Not past due	5,178,508	-	5,178,508
Past due 0 - 30 days	780,386	-	780,386
Past due 31 - 60 days	74,546	-	74,546
Past due 61 - 90 days	42,929	-	42,929
Past due more than 90 days	301,442	-	301,442
	<u>6,377,811</u>	<u>-</u>	<u>6,377,811</u>

## 20. Financial instruments (continued)

### 20.4 Credit risk (continued)

#### Receivables (continued)

#### *Impairment losses (continued)*

Group	Gross RM	Individual impairment RM	Net RM
<b>2013</b>			
Not past due	3,628,708	-	3,628,708
Past due 0 - 30 days	756,794	-	756,794
Past due 31 - 60 days	72,023	-	72,023
Past due 61 - 90 days	33,830	-	33,830
Past due more than 90 days	1,850	-	1,850
	<u>4,493,205</u>	<u>-</u>	<u>4,493,205</u>

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any receivables as of the end of the reporting period.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### **Financial guarantees**

#### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

## 20. Financial instruments (continued)

### 20.4 Credit risk (continued)

#### Financial guarantees (continued)

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM5,587,000 (2013: RM7,782,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### Inter company advances

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

##### *Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are repayable on demand.

### 20.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**20. Financial instruments (continued)****20.5 Liquidity risk (continued)***Maturity analysis*

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

2014 Group	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
Trade and other payables	4,716,420	-	4,716,420	4,716,420	-	-
Finance lease liabilities	5,586,583	2.55% - 3.65%	6,087,250	2,791,113	1,359,967	1,936,170
<b>Company</b>	<b>10,303,003</b>		<b>10,803,670</b>	<b>7,507,533</b>	<b>1,359,967</b>	<b>1,936,170</b>
<i>Non-derivative financial liability</i>						
Trade and other payables	1,132,785	-	1,132,785	1,132,785	-	-

## 20. Financial instruments (continued)

### 20.5 Liquidity risk (continued)

#### *Maturity analysis (continued)*

2013	Group	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
	<i>Non-derivative financial liabilities</i>						
	Trade and other payables	4,896,790	-	4,896,790	4,896,790	-	-
	Finance lease liabilities	7,781,908	2.55% - 3.65%	8,491,535	3,963,550	2,399,576	2,128,409
	<b>Company</b>	<u>12,678,698</u>		<u>13,388,325</u>	<u>8,860,340</u>	<u>2,399,576</u>	<u>2,128,409</u>
	<i>Non-derivative financial liability</i>						
	Trade and other payables	<u>206,035</u>	-	<u>206,035</u>	<u>206,035</u>	-	-

## 20. Financial instruments (continued)

### 20.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

#### 20.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), European Dollar (EUR), Singapore Dollar (SGD), Australia Dollar (AUD) and Great Britain Pound (GBP).

#### *Risk management objectives, policies and processes for managing the risk*

Management has a foreign exchange policy and procedures in managing foreign exchange exposure for the Group with a set limit in respect of the sanctioned overnight limit and overall transactional exposure are kept to an acceptable limit.

#### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	<i>Denominated in</i>				
	USD RM	EUR RM	SGD RM	AUD RM	GBP RM
<b>2014</b>					
Trade receivables	1,314,002	-	-	-	-
Trade payables	(323,055)	-	(1,344)	-	(2,546)
<b>Net exposure</b>	<u>990,947</u>	<u>-</u>	<u>(1,344)</u>	<u>-</u>	<u>(2,546)</u>
<b>2013</b>					
Trade receivables	1,294,299	-	-	-	-
Trade payables	(187,962)	(1,845)	(4,092)	(158)	-
<b>Net exposure</b>	<u>1,106,337</u>	<u>(1,845)</u>	<u>(4,092)</u>	<u>(158)</u>	<u>-</u>

## 20. Financial instruments (continued)

### 20.6 Market risk (continued)

#### 20.6.1 Currency risk (continued)

##### *Currency risk sensitivity analysis*

Foreign currency risk arises from Group entities which have a RM functional currency.

A 5% (2013 : 5%) strengthening of the RM against the following currencies at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	Profit or loss RM
<b>2014</b>	
USD	(37,160)
SGD	50
GBP	95
	<hr/>
<b>2013</b>	
USD	(41,488)
EUR	69
SGD	153
AUD	6
	<hr/>

- A 5% (2013 : 5%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

#### 20.6.2 Interest rate risk

The Group's fixed rate borrowings and short term deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.



## 20. Financial instruments (continued)

### 20.6 Market risk (continued)

#### 20.6.2 Interest rate risk (continued)

*Risk management objectives, policies and processes for managing the risk*

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are placed in short term deposit.

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-earning/interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

<b>Group</b>	<b>2014</b> <b>RM</b>	<b>2013</b> <b>RM</b>
<b>Fixed rate instruments</b>		
Financial assets	1,350,000	5,000,000
Financial liabilities	(5,586,583)	(7,781,908)
	<u>(4,236,583)</u>	<u>(2,781,908)</u>

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

### 20.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

The Directors believe that there is no significant difference between the fair value and the carrying amount of the financial lease liabilities.

## 20. Financial instruments (continued)

### 20.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2014</b>								
<b>Financial liabilities</b>								
Finance lease liabilities	-	-	-	-	-	(5,586,000)	(5,586,000)	(5,586,583)
<b>Group</b>								
<b>2013</b>								
<b>Financial liabilities</b>								
Finance lease liabilities	-	-	-	-	-	(7,781,000)	(7,781,000)	(7,781,908)

\* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

## 20. Financial instruments (continued)

### 20.7 Fair value information (continued)

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2013: no transfer in either directions)

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

## 21. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There was no change in the Group's approach to capital management during the financial year.

## 22. Capital commitment - Group

	2014 RM	2013 RM
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for	<u>232,000</u>	<u>204,000</u>

## 23. Related parties

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with the following parties :

- i) Subsidiaries of the Company as disclosed in Note 4 to the financial statements.
- ii) Wong Liu Tax Services (Butterworth) Sdn. Bhd. is a company in which Ms Tang Yin Kham has substantial financial interest.
- iii) Syarikat Ng & Anuar is a firm in which Mr Lim Gin Chuan is a member.
- iv) Key management personnel as defined above.

## 23. Related parties (continued)

### Significant related party transactions

The significant related party transactions of the Group and the Company are shown below.

- i) Transactions with parties in which certain Directors have substantial financial interests or are member of a firm :

<b>Group</b>	<b>2014 RM</b>	<b>2013 RM</b>
Tax fee payable to Wong Liu Tax Services (Butterworth) Sdn. Bhd.	<u>16,500</u>	<u>16,500</u>
	<b>2014 RM</b>	<b>2013 RM</b>
<b>Company</b>		
Tax fee payable to Wong Liu Tax Services (Butterworth) Sdn. Bhd.	<u>2,000</u>	<u>2,000</u>

- ii) Transactions with subsidiaries

<b>Company</b>	<b>2014 RM</b>	<b>2013 RM</b>
Management fee received	<u>167,000</u>	<u>167,800</u>

The balances related to the above transactions are shown in Notes 6 and 12 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash.

- iii) Transactions with key management personnel

There were no transactions with key management personnel other than as disclosed in Note 15 to the financial statements.

## 24. Contingent liability – Company

The Company issued corporate guarantees of RM32.26 million (2013 : RM34.24 million) as security for credit facilities and hire purchase facilities granted to subsidiaries of which RM6.13 million (2013 : RM8.27 million) were utilised at balance sheet date.

## 25. Subsequent events

- (a) Subsequent to the financial year end, the Company proposed to undertake the following proposals :
- (i) proposed joint venture between the Company and Widad Builders Sdn. Bhd. to participate in the Facility Management Contract for the JB Sentral Building in Bukit Chagar, Johor Bahru, Johor Darul Takzim;
  - (ii) proposed diversification of the principal activities of the Company to include facility management business;
  - (iii) proposed special issue of 27,500,000 new ordinary shares of RM0.50 each in the Company's shares, representing approximately 30% of the issued and paid-up share capital of the Company at an issue price of RM0.60 per share;
  - (iv) proposed renounceable rights issue of up to 59,594,000 new shares ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing of the Company's shares held at an entitlement date to be determined later; and
  - (v) proposed exemption to Wong Engineering Holdings Sdn. Bhd. and parties acting in concert with it (collectively "PACs") from the obligation to undertake a mandatory take-over offer to acquire the remaining Company's shares not already owned by them under paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010.
- (b) Subsequent to the financial year end, Wong Engineering Industries Sdn. Bhd. ("WEI"), a wholly owned subsidiary of the Company had on 9 February 2015 subscribed for 25,500 ordinary shares of RM1.00 each in the issued and paid-up share capital of FWE Global Sdn. Bhd. ("FWE") ("Subscription") representing 51% of the issued and paid-up share capital of FWE for a total cash consideration of RM25,500. Subsequent to the Subscription, FWE became a 51% owned subsidiary of WEI.

## 26. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 October, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained earnings of the Company and its subsidiaries :				
- realised	11,554,955	16,679,204	3,831,917	3,977,448
- unrealised	15,813	(76,482)	-	-
	<u>11,570,768</u>	<u>16,602,722</u>	<u>3,831,917</u>	<u>3,977,448</u>
Less : Consolidation adjustments	(13,074,213)	(12,959,462)	-	-
Total (accumulated losses)/retained earnings	<u>(1,503,445)</u>	<u>3,643,260</u>	<u>3,831,917</u>	<u>3,977,448</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

# **Wong Engineering Corporation Berhad**

(Company No. 409959 - W)

(Incorporated in Malaysia)


## **and its subsidiaries**

### **Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965**

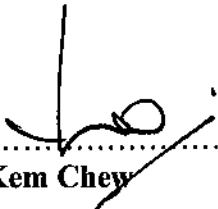
In the opinion of the Directors, the financial statements set out on pages 8 to 69 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 October 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 26 on page 70 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :



.....  
**Dato' Wong Kem Woh**



.....  
**Wong Kem Chew**

Penang,

Date : 12 February 2015



# Wong Engineering Corporation Berhad

(Company No. 409959 - W)

(Incorporated in Malaysia)

## and its subsidiaries

### Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Dato' Wong Kem Woh**, the Director primarily responsible for the financial management of Wong Engineering Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 8 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Georgetown in the State of Penang on 12 February 2015.

  
.....

**Dato' Wong Kem Woh**

Before me :



20 Lebuh King  
10200 Pulau Pinang

## **Independent auditors' report to the members of Wong Engineering Corporation Berhad**

(Company No. 409959 - W)  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Wong Engineering Corporation Berhad, which comprise the statements of financial position as at 31 October 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 69.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 409959 - W

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 October 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 26 on page 70 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

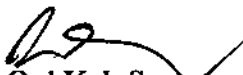
Company No. 409959 - W

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG**  
AF 0758  
Chartered Accountants



**Ooi Kok Seng**  
2432/05/15 (J)  
Chartered Accountant

Date : 12 February 2015

Penang