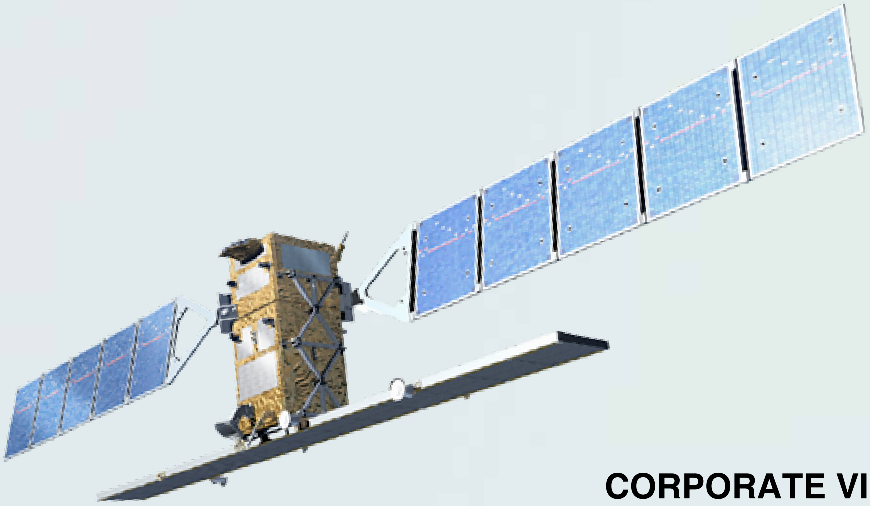
WONG ENGINEERING CORPORATION BERHAD

(409959-W)

Infinite *Success*

ANNUAL REPORT 2015



CORPORATE VISION

WE view
... ourselves as a diversified corporate entity that creates value, wealth and technological advancement for our Customers, Shareholders, Business Partners, Employees and the Community in general wherever we operate, locally, regionally and globally.

CORPORATE MISSION

WE want
... to be one step ahead in all technologies we are in.

Infinite Success

The image of a pencil with sketch lines of infinity represents Wong Engineering's vision of infinite growth for the company in the future. Wong Engineering is working towards building relationships with customers, creating opportunities for growth through technology advancement and innovating products. With a team of highly skilled and dedicated staff as their pillar of strength, WE are well on the way to infinite success as a leading manufacturer in high precision component parts locally and internationally.

The way WE are
WE build tomorrow

WE are Courageous
In undertaking new business ventures and persevering in facing challenges.

WE are Innovative
In creating opportunities for performance and value enhancement through innovation.

WE are Agile
In responding to dynamic environments and adapting to best deliver our promise of quality.

WE are Limitless
In scaling new heights and going beyond expectations.

CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Cardamom, Level 2, The Light Hotel, Lebuh Tenggiri 2, Bandar Seberang Jaya, 13700 Penang on Wednesday, 20 April 2016 at 11.00 am for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 October 2015 together with the Reports of Directors and Auditors thereon. **Please refer to Note 1**

2. To approve the payment of Directors' Fees totaling RM165,000 for the financial year ended 31 October 2015. **Ordinary Resolution 1**

3. To re-elect the following Directors retiring pursuant to Article 82 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
   (i) Wong Kam Hooi **Ordinary Resolution 2**
   (ii) Datuk Haji Man bin Mat **Ordinary Resolution 3**

4. To re-appoint Messrs KPMG as Auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business

5. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions :

a. **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

"THAT, subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals of the relevant government / regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Act, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued." **Ordinary Resolution 5**

b. **Proposed renewal of authority to buy-back its own shares by the Company**

"THAT subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following :- **Ordinary Resolution 6**

i) the aggregate number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("WEC Shares");

ii) the amount of fund to be allocated by the Company for the purpose of purchasing the WEC Shares shall not exceed the aggregate of the retained profits and share premium account of RM3,735,546 and RM12,065,068 respectively of the Company as at 31 October 2015;

iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:-
  a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
  b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;

iv) upon completion of the purchase(s) of the WEC Shares by the Company, the Directors of the Company be hereby authorised to deal with the WEC Shares in the following manner :-
  a) to cancel the WEC Shares so purchased; or

  b) to retain the WEC Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or

  c) to retain part of the WEC Shares so purchased as treasury shares and cancel the remainder; or

  d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to effect the purchase of WEC shares."

6. **Continuation in office as Independent & Non-Executive Directors**
"THAT the following Directors who have served as Independent & Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, be retained and shall continue to act as Independent & Non-Executive Directors of the Company in accordance with the Malaysian Code of Corporate Governance 2012 until the conclusion of the next Annual General Meeting":-
(i) Datuk Haji Man bin Mat **Ordinary Resolution 7**
(ii) Mr Lim Gin Chuan **Ordinary Resolution 8**

7. To transact any other business of which due notice shall have been given.

By Order of the Board

TAI YIT CHAN (MAICSA 7009143)
ONG TZE-EN (MAICSA 7026537)
LAU YOKE LENG (MAICSA 7034778)
Joint Company Secretaries
Penang, 29 March 2016

Notes :

Appointment of Proxy

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.*

2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.*

3. *Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

   An exempt authorised nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.*

5. *For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden,42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*

6. *For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 60(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 13 April 2016 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.*

Explanatory Notes on Ordinary Business :

1. *Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.*

Explanatory Notes on Special Businesses :

1. *The Ordinary Resolution 5, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.*

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 21 April 2015 and which will lapse at the conclusion of the Nineteenth Annual General Meeting.

   The renewed General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

2. *The Ordinary Resolution 6, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.*

3. *The proposed Ordinary Resolutions 7 and 8, if passed, will retain the following Directors as Independent & Non-Executive Directors of the Company to fulfill the requirements of Paragraph 3.04 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and in line with the recommendation No. 3.2 of the Malaysian Code of Corporate Governance 2012. The details of the Board's justification and recommendations for the retention of the Independent Directors are set out in the Corporate Governance Statement in the 2015 Annual Report:-*
   - *(i) Datuk Haji Man bin Mat*
   - *(ii) Mr Lim Gin Chuan*

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. *No individual is seeking election as a Director at the forthcoming Nineteenth Annual General Meeting of the Company.*

Additional Compliance Information

The following information is presented in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:

Share Buy-Back

During the financial year, all the shares purchased by the Company were retained as treasury shares. None of the shares were resold or cancelled during the financial year. The details of shares bought back during the financial year are set out as below:-

Month	Number of Shares Bought / (Disposed)	Highest Price (RM)	Lowest Price (RM)	Weighted Average Price (RM)	Consideration Paid/(Received) (RM)
Mar-15	10,000	0.540	0.540	0.540	5,447.62
Sep-15	5,000	0.550	0.550	0.550	2,796.28
Total	15,000	–	–	–	8,243.90

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued/ exercised during the financial year.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”)

During the financial year, the Company did not support any ADR or GDR program.

Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

Non-Audit fee totaling RM42,000 were paid during the financial year.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders.

Corporate Information

Board of Directors

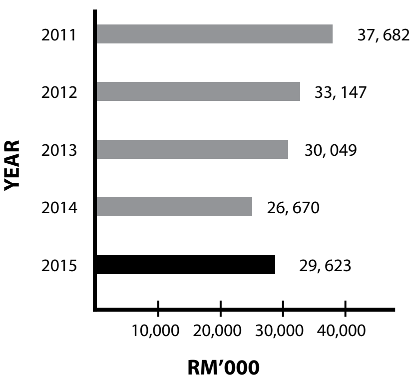
Chairman & Chief Executive Officer	*Dato' Wong Kem Woh*
Executive Director	*Wong Kem Chew*
Executive Director	*Chang Joo Huat*
Non-Independent & Non-Executive Director	*Wong Kam Hooi*
Independent & Non-Executive Director	*Teh Eng Aun*
Independent & Non-Executive Director	*Datuk Haji Man Bin Mat*
Independent & Non-Executive Director	*Lim Gin Chuan*

Company Secretaries:	Tai Yit Chan (MAICSA 7009143) Ong Tze-En (MAICSA 7026537) Lau Yoke Leng (MAICSA 7034778)
Registered Office :	Suite 16-1 (Penthouse Upper) Menara Penang Garden 42A Jalan Sultan Ahmad Shah 10050 Penang Tel: 04-2294390 Fax: 04-2265860
Business Address :	Lot 24, Jalan Hi-Tech 4, Kulim Hi-Tech Park (Phase 1) 09000 Kulim, Kedah Tel: 04-4271788 Fax: 04-4271799 E-mail: info@wec.com.my web-site: www.wec.com.my
Registrar :	Agriteum Share Registration Services Sdn Bhd 2nd Floor, Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Penang. Tel: 04-2282321 Fax: 04-2272391
Auditors :	KPMG, Penang Chartered Accountants
Principal Bankers :	CIMB Bank Berhad Malayan Banking Berhad United Overseas Bank (Malaysia) Berhad Hong Leong Bank Berhad
Stock Exchange Listing :	Main Market of Bursa Malaysia Securities Berhad
Legal Form and Domicile :	Public Limited Company Incorporated and domiciled in Malaysia

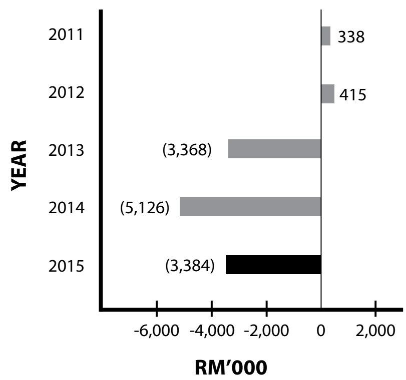
Financial Highlights

	Oct-31	2011	2012	2013	2014	2015
Operating Revenue	RM'000	37,682	33,147	30,049	26,670	**29,623**
Profit/(Loss) Before Tax	RM'000	338	415	(3,368)	(5,126)	**(3,384)**
Profit/(Loss) After Tax	RM'000	205	370	(3,349)	(5,147)	**(3,419)**
Profit/(Loss) Attributable to Shareholder	RM'000	141	292	(3,349)	(5,147)	**(3,435)**
Paid-up Capital	RM'000	45,844	45,844	45,844	45,844	**45,844**
Total Equity Attributable to Equity Holders	RM'000	62,915	63,496	60,144	56,346	**52,902**
Total Assets	RM'000	70,366	74,253	72,859	66,649	**67,906**
Total Liabilties	RM'000	6,488	10,757	12,715	10,303	**14,963**
Total Equity & Liabilities	RM'000	70,366	74,253	72,859	66,649	**67,906**
Cash & Cash Equivalents (CCE)	RM'000	9,743	8,517	6,768	2,465	**661**
Basic Earnings/(Loss) per Share	SEN	0.16	0.32	(3.73)	(5.65)	**(3.78)**
NAV per Share	RM	0.70	0.71	0.67	0.62	**0.58**
Net Dividend per Share	SEN	–	–	–	–	**–**
Profit/(Loss) Margin Before Tax	%	1%	1%	-11%	-19%	**-11%**
Return on Equity (ROE)	%	0%	0%	-6%	-9%	**-6%**
Return on Assets (ROA)	%	0%	0%	-5%	-8%	**-5%**
CCE to Total Assets	%	14%	11%	9%	4%	**1%**
Total Liabilities/(Total Equity & Liabilities)	%	9%	14%	17%	15%	**22%**

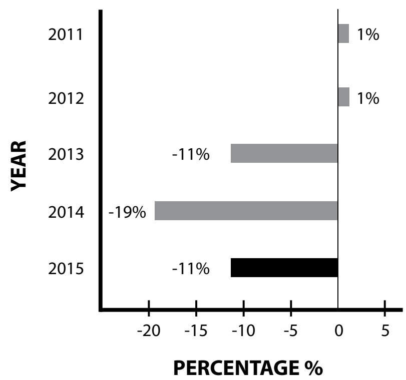
OPERATING REVENUE



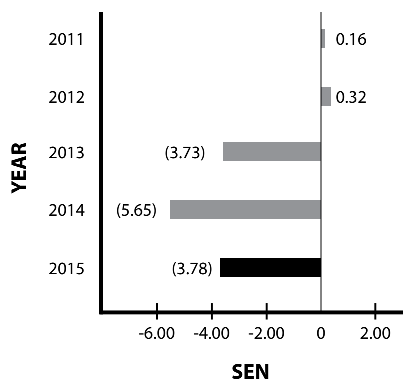
PROFIT BEFORE TAX



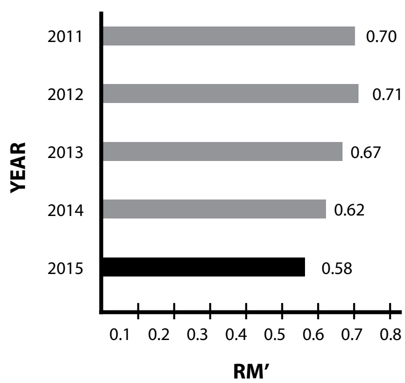
PROFIT MARGIN BEFORE TAX



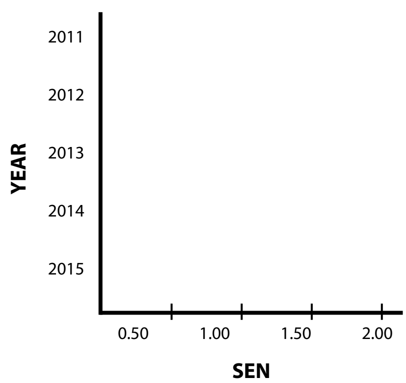
BASIC (LOSS)/ EARNINGS PER SHARE



NAV PER SHARE



NET DIVIDEND PER SHARE



Profile of Directors

The Board of Directors of Wong Engineering Corporation Berhad ("WEC") comprises a Chairman & Chief Executive Officer, two Executive Directors, one Non-Independent & Non-Executive Director and three Independent & Non-Executive Directors. A profile of each of the Directors of the Company is described below.

Dato' Wong Kem Woh, DIMP, PJK
Chairman & Chief Executive Officer

Dato' Wong Kem Woh, Malaysian, aged 63, joined the Board of WEC on 11 November 1997 and was appointed as Chairman. He is a member of the Remuneration Committee and Risk Management Committee of WEC.

Dato' Wong is a Diploma graduate in Technology (Building) from Kolej Tunku Abdul Rahman and has served in various capacities in housing development and manufacturing. He is one of the founders of WEC Group of companies ("WEC Group").

He also sits on the board of several other private limited companies.

He attended all four Board Meetings held during the financial year ended 31 October 2015.

He is the brother of Mr. Wong Kem Chew and Mr. Wong Kam Hooi, who are the directors of WEC.

Mr. Wong Kem Chew
Executive Director

Mr. Wong Kem Chew, Malaysian, aged 66, joined the Board of WEC on 11 November 1997 and was appointed as an Executive Director.

Mr. Wong Kem Chew is a businessman and has been involved in the development of WEC Group since it was formed in 1982. He has 48 years of working experience in the mechanical engineering sector. Currently he is responsible for the management of the Group's production and maintaining the high precision quality of the Group.

He also sits on the board of several other private limited companies.

He attended all four Board Meetings held during the financial year ended 31 October 2015.

He is the brother of Dato' Wong Kem Woh and Mr. Wong Kam Hooi, who are the directors of WEC.

Mr. Chang Joo Huat
Executive Director

Mr. Chang Joo Huat, aged 51, joined the Board of WEC on 1 October 2010 and was appointed as an Executive Director.

Mr. Chang Joo Huat holds a Master in Business Administration from the Southern Pacific University, Malaysia; a Bachelor degree in Engineering (Mechanical System) from University of Putra Malaysia and a Diploma in Engineering (Mechanical) from University of Technology, Malaysia. Mr. Chang had started his career as an Assistant Engineer at Matsushita Electric Motor, Singapore in 1987; he has accumulated 29 years of experience in manufacturing industry, specializing in automation, research & development and project engineering. He was appointed as a Director of the subsidiary of the Company on 1 August 1996 and promoted to Group's Technical Director on 1 November 2004.

He attended all four Board Meetings held during the financial year ended 31 October 2015.

He does not have any family relationship with any director and/ or major shareholder of the Company. He does not have any conflict of interest in any business arrangement involving the Company.

Mr. Wong Kam Hooi
Non-Independent & Non-Executive Director

Mr. Wong Kam Hooi, Malaysian, aged 68, joined the Board of WEC on 11 November 1997. He was re-designated as a Non-Independent & Non-Executive Director on 29 September 2004.

Mr. Wong Kam Hooi is a businessman and one of the founders of WEC Group. He has been involved in the mechanical engineering sector for approximately 43 years.

He also sits on the board of several other private limited companies.

He attended all four Board Meetings held during the financial year ended 31 October 2015.

He is the eldest brother of Dato' Wong Kem Woh and Mr. Wong Kem Chew, who are the directors of WEC.

Mr. Teh Eng Aun
Independent & Non-Executive Director

Mr. Teh Eng Aun, aged 65, joined the Board of WEC on 28 May 2014. He is the Chairman of the Audit Committee and the Remuneration Committee of the Company. He is also a member of the Nomination Committee of the Company. Mr. Teh obtained his Bachelor of Commerce from University of Newcastle, New South Wales, Australia in 1975. He is a Member of the Malaysian Institute of Accountants. He practiced as a Chartered Accountant in a public accounting firm between 1981 and 1995. In 1996, he joined a stock broking firm as a Remisier. He has over 26 years of experience in corporate consultancy, financial management and auditing. He is also an Independent Non-Executive Director of Muar Ban Lee Group Berhad.

He had attended all four Board Meetings held during his term of office for the financial year ended 31 October 2015 .

Mr. Teh Eng Aun does not have any family relationship with any other directors of the Company. He has no conflict of interest in any business arrangement involving the Company as well.

Datuk Haji Man Bin Mat, PJN, DMM, AMN, BKM, PJK
Independent & Non-Executive Director

Datuk Haji Man Bin Mat, Malaysian, aged 66, joined the Board of WEC on 9 April 1999. He is a Member of the Audit Committee and Nominating Committee of WEC.

Datuk Haji Man Bin Mat is a BBA degree holder graduated from Ohio State University, USA in 1977. He is a businessman with more than 37 years of working exposure in both public and private sector.

He also sits on the boards of Aktif Lifestyle Corporation Berhad and other private limited companies.

He attended all four Board Meetings held during the financial year ended 31 October 2015.

He neither has any family relationship with any director and / or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

Mr. Lim Gin Chuan

Independent & Non-Executive Director

Mr. Lim Gin Chuan, Malaysian, aged 53, joined the Board of WEC on 11 November 1997. He is the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr. Lim Gin Chuan holds the degrees of Bachelor of Economics and Bachelor of Law from Monash University, Melbourne, Australia. He is a lawyer specializing in conveyancing, banking and company law. Currently, he is a partner of Messrs. Syarikat Ng & Anuar.

He also sits on the board of The Store Corporation Berhad and several private limited companies. He had attended all four Board Meetings held during the financial year ended 31 October 2015.

He does not have any family relationship with any director or major shareholder of the Company. Neither does he have any business dealing with the Company.

* Notes:

1. None of the Director of WEC has had any convictions for any offences other than traffic offences within the past ten (10) years.
2. Other than disclosed in the financial statements, there is no other conflict of interest that the directors have with the Group.
3. There were no material contracts entered into by the Group involving directors and major shareholders of WEC.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Wong Engineering Corporation Berhad and its subsidiaries ("the Group" or "the Company"), it is my pleasure to present the 19th Annual Report and Audited Financial Statements of the Company for the financial year ended 31 October 2015.

Financial Performance

For the financial year under review, the Group recorded revenue of RM29.6 million and gross profit of RM2.5mil compared to revenue of RM26.7 million and gross profit RM 631k respectively in the preceding financial year. The higher revenue and gross profit for the current year is attributable to a rebound in customers' demand, a positive trend that we expect to continue into the first half year of 2016. Despite a loss after tax of RM3.4 million, the Group's EBITDA remained positive at RM2.0 million.

The sustained performance is commendable in light of increasing costs and recent economic challenges. Malaysia, being an oil producing country, saw the Ringgit depreciate by almost 30% against major global currencies, when crude oil prices started plunging since December 2014. This in turn, have increased our costs of production, both directly and indirectly.

While acknowledging that external factors are not entirely within our control, we, as a Group, shall continue our best efforts to streamline operations, improve production efficiency and broaden our customer base.

Operational Review

In line with the Group's prudent financial policy, operations were kept lean and efficient throughout the year with strong emphasis on cost reduction and continual improvement activities.

Nevertheless, the Group also carried its weight in face of new government policies which affected almost all businesses during the year. Implemented since 1 April 2015, the Goods & Services Tax caused a short-term cash flow choke to many struggling organisations until a self-balancing equilibrium is achieved within the businesses.

In addition, news of a potential steep increase in foreign workers' levy rate is causing alarm to manufacturing companies. As majority of Malaysian manufacturers were already facing the rising cost of doing business, including the new minimum wage level, higher energy costs, higher costs of raw materials and lower sales as a result of the weakening ringgit, this potential increase adds to the list of challenges for many employers.

On the forefront news, the Group has mutually terminated the Proposed Joint Venture and Proposed Diversification of our businesses portfolio after taking into consideration the sluggish and volatile market conditions. Rest assured, the termination of the JVA did not result in any financial impact to the Group and we will continue to seek favourable opportunities to complement the Group's operations.

Business Outlook

In general, market growth does not look rosy for 2016. The Malaysian Institute of Economic Research (MIER) estimates Malaysia's Gross Domestic Product growth for 2016 at 4.7 per cent, compared to the estimated 4.9 per cent growth for 2015. Regardless, we expect to maintain a moderate growth and improve on our financial results through good corporate governance and sound internal controls. We are also committed to ensure that our corporate objectives are met and shareholders' value safeguarded.

Words of Appreciation

On behalf of the Board of Directors, I would like to thank our management team and employees of the Group for their contributions in 2015. Despite challenging circumstances, they have shown dedication and determination in meeting our objectives and put in much hard work and passion in executing our strategies.

My sincere gratitude to my fellow Directors for their valued guidance and to our customers, suppliers and shareholders for their continued support, and we look forward to better years ahead.

Dato' Wong Kem Woh
Chief Executive Officer
8 March 2016

WONG ENGINEERING CORPORATION BERHAD (409959-W)

- **MANUFACTURING**
  - **WEE**
    WONG ENGINEERING ELECTRONICS SDN.BHD. (192707-U)
    Manufacturing of high precision turned metal components.
  - **WEI**
    WONG ENGINEERING INDUSTRIES SDN.BHD. (91267-P)
    Design and manufacture of high precision metal stamped parts and sheet metals.
    - **WEX**
      WONG EXERION PRECISION TECHNOLOGY SDN.BHD. (733458-X)
      Design, manufacture and supply of complex welded frames structure, related modules and system.
    - **FWE (51%)**
      FWE GLOBAL SDN.BHD. (1117625-X)
      Design, manufacture and supply of complex welded frames structure, related modules and system.
- **ENVIRONMENTAL & HEALTH PRODUCTS**
  - **WECM**
    WEC MARKETING SDN.BHD. (120881-P)
    Trading, marketing and retailing of industrial and consumer products.
  - **WEM**
    WONG ENGINEERING METALS (M) SDN.BHD. (196012-W)
    Manufacture of high precision metal stamped parts. (Currently dormant)

Statement on Corporate Social Responsibility

Wong Engineering Corporation Berhad ("WE") is a responsible corporate citizen and we aspire to operate our business in an ethical manner where we will respect and enhance the value of our environment, community, employees, customers, suppliers and all other stakeholders wherever we operate.

We shall communicate and inculcate a culture of Corporate Social Responsibility ("CSR") in our employees and our stakeholders on the 4 main areas that we are operating in: the workplace; the marketplace; the community and the environment.

The Workplace

We recognise that our employees are important assets with regards to the growth of the business and in maintaining a harmonious working environment. We take good care of the welfare of our employees and employ them under fair and equitable terms and we are committed to ensure fairness in career opportunity, and give priority to the safety and well-being of our employees in the workplace. In regards to the occupational safety and health (OSHA), the Group has established a "Safety and Health Policy" and set up the Safety Committee and an Emergency Response Team to meet the safety standard of OSHA. In the financial year 2015, the Group organised numerous activities to build esprit de corps of the employees and create a harmonious working environment such as trainings, seminars and workshops to upgrade and enhance the skills and knowledge of employees, appreciation token for the best exam result of employees' children for UPSR, PMR and SPM, etc.

The Marketplace

The Group believes that effective CSR can deliver benefits to our business and, in turn, to our customers and vendors;-

- By inculcating integrity and professionalism in procurement and supply chain management and to comply with a standard procedure in qualification of vendors.
- By continuously upgrading the technical skills of the supplier quality team to ensure consistency in achieving quality levels beyond customers' expectations.
- By adhering to the International Organization for Standardization (ISO) requirements in relation to our Quality Management System.
- By adhering to the occupational safety and health requirements at international standard to assure the safety of the workers and uninterrupted supply of our products to our customers.
- By practicing good Corporate Governance and accountability.

The Community

We recognize our responsibilities as a good neighbour in the community where we work and live in and also to be an active partner in the community service. As part of the community where WE is located, WE is a member of Kulim Industrial Tenants' Association ("KITA") whose vision is to make "Kulim, the ideal community to live and work in". WE is also a member of the KHTP Human Resource Sub-Committee to look after the welfare and safety of employee/ employer in the Industrial Park. During the year, WE had organised and participated in community service and social activities i.e. blood donation campaign, community recycling exercise, gotong-royong program, etc.

During the year, the Group has made financial contributions and other benefits in kind to governmental agency annual events for development and promotion of sports and recreation, and to community at large of various non-profitable organizations, school and individuals.

The Environment

We are highly conscious of the global warming and climatic changes in the global environment due to industrial activities. In this respect, the Group is ISO 14001 certified to ensure that the Group complies with the global requirement in eliminating the usage of hazardous substance and mitigate the climatic or environmental changes through environmental management.

We are adopting and complying with the requirements of using environmental friendly products in relation to Chlorofluorocarbon (CFC) compliance and Restriction of Hazardous Substances (ROHS) compliance with the ultimate aim of safeguarding our environment.

We have our own waste treatment plant for our plating line and we ensure compliances with the waste management requirements.

Members

The present members of the Audit Committee (the "Committee") comprise:

Chairman :	Teh Eng Aun	*Independent & Non-Executive Director*
Members :	Datuk Haji Man Bin Mat	*Independent & Non-Executive Director*
	Lim Gin Chuan	*Independent & Non-Executive Director*

Terms of Reference

The Committee was established on 11 November 1997 to act as a Committee of the Board of Directors, with the terms of reference as set on pages 15 to 17 of the Annual Report therein.

Meetings

During the financial year under review, the Committee held four (4) meetings with all the members of the Committee in attendance as follows:-

	Attendance
Teh Eng Aun	4/4
Datuk Haji Man Bin Mat	4/4
Lim Gin Chuan	4/4

Summary of Activities during the financial year

The Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows:

- Reviewed the external auditor's scope of work and audit plans.
- Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.
- Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 15 to the financial statements.
- Reviewed the unaudited quarterly financial results, annual report and the audited financial statements of the Company with management, the Board and external auditor prior to their release to the Bursa Malaysia Securities Berhad ("Bursa Securities"). The review was to ensure the adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Company considering the requirements of Companies Act, 1965, the Malaysian Financial Reporting Standards ("MFRS"), Bursa Securities and any other statutory authorities.
- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group which included enhancement and further investment in existing products and services offered, cost rationalization measures and human resource development.
- Reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services.
- Reviewed the internal audit plan.

INTERNAL AUDIT FUNCTION

The Group has appointed an independent professional firm to carry out the internal audit activities.

The Internal Audit function has been discharging its duties in monitoring the effectiveness of the existing internal control systems of the Group. The independent internal audit function and activities were carried out according to the annual internal audit plan and schedule, which had been approved by the Audit Committee. The objectives of the internal audit are to assess the adequacy and integrity of the system of internal control and to ensure that the Group's policies and procedures are complied with.

It is the responsibility of the internal auditor to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year, the internal audit function presented two reports to the Audit Committee covering various business cycles. The internal auditors also followed up on audit recommendations of prior audits.

The Internal Audit Function is elaborated further in the Statement on Risk Management and Internal Control on pages 27 to 28 of this Annual Report.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. **Objectives**
   The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities.

   - Assess the Group's process relating to its risks and control environment;
   - Oversee financial reporting; and
   - Evaluate the internal and external audit process.

2. **Composition**
   The Board shall elect and appoint Committee members from amongst their numbers, comprising not fewer than three (3) Directors. All members of the Audit Committee shall be Non-Executive Directors of the Company and financial literate.

   The Board shall at all times ensure that at least one (1) member of the Committee fulfils the Bursa Securities requirements as prescribed in paragraph 15.09 (1C) :

   (i) Must be a member of the Malaysian Institute of Accountants ("MIA"); or

   (ii) If he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:-

      (a) He or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      (b) He or she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

   (iii) Fulfils such other requirements as prescribed or approved by Bursa Securities.

   If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may require to fill the vacancy.

   The Chairman of the Committee shall be an Independent & Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

   The Board shall review the terms of each of its members at least once (1) every three (3) years.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

3. Duties and Responsibilities

In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities:

(a) Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
(b) Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
(c) Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
(d) Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
(e) Review the assistance given by the Group's office to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
(f) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
(g) Review the appointment and performance of external auditors, the audit fee and any question on resignation or dismissal before making recommendations to the Board.
(h) Review the budget and staffing of the internal audit department.
(i) Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/ or external auditors' evaluation of the said systems.
(j) Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
(k) Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
    - Changes in or implementation of major accounting policy changes;
    - Significant or unusual events;
    - The going concern assumption; and
    - Compliance with accounting standards and other legal requirements.
(l) Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Listing Requirements of Bursa Securities and other legislative and reporting requirements.
(m) Review any related party transaction and conflict of interest situation that may arise within the work performed in fulfilling the Committee's primary responsibilities.
(n) To do the following, in relation to the internal audit function:
    - Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
    - Review any appraisal or assessment
(o) Any other activities, as authorized by the Board.

4. Authority

In carrying out its duties and responsibilities, the Committee shall have the following rights:

(a) Explicit authority to investigate any matter within its terms of reference;
(b) Adequate resources which are required to perform its duties;
(c) Full and unrestricted access to any information pertaining to the Company and of any other companies within the Group;
(d) Direct communication channels with external and internal auditors;
(e) Obtain external independent professional advice and to invite external parties with relevant experience to attend the Committee meetings for advice;
(f) Discretion to invite other Directors and/ or employees of the Company to attend any particular Committee meeting to discuss specific issues; and
(g) Convene meetings with external and internal auditors, excluding the attendance of the other Directors and employees of the Company whenever deemed necessary.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

5. Quorum and Committee's procedures

The Committee shall meet not less than four (4) times per financial year and as many times as the Committee deemed necessary. The external auditors may request a meeting if considered necessary.

The quorum for meetings of the Committee shall be two members who are Independent and Non-Executive Directors.

The Committee may require a representative of the external auditors to attend any of its meetings as it determines.

The Executive Secretary of the Company shall be the secretary of the Committee. The secretary shall ensure that reasonable notices of meetings be given to members of the Committee and shall circulate the minutes of meetings of the Committee to all members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarizing the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the management and, at least once every year with the Head of Internal Audit and External Auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board. The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

This report is issued in accordance with a resolution of the Directors dated 24 February 2016.

The Board of Directors of Wong Engineering Corporation Berhad ("the Board") recognises the importance of practising and maintaining sound corporate governance to create and maintain trust with both our internal and external stakeholders. As such, the Board is fully committed to The Malaysian Code on Corporate Governance 2012 ("the Code") which sets out the principles for long-term sustainability through sound governance that upholds corporate ethics, risk management and effective internal controls.

The Board is pleased to report its adherence to the principles and complies with the best practices of good governance that were adopted throughout the financial year, unless where otherwise rationalized herein.

Principles Statement

The following statement sets out how the Company has applied the principles in Part 1 of the Code.

A. The Board of Directors

Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill this role, the Board assumes overall responsibility for strategic direction, corporate governance, risk management, investments made by the Company and overseeing the proper conduct of business. The review takes into consideration the changes in the business and political environment and risk factors such as level of competition. The Board also ensures its operations are managed in compliance with the relevant statutory regulations on safety and health to promote a "green" environment to the community.

Board Charter

The roles and functions of the Board, as well as the differing roles of Executive Directors and Non-Executive Directors, are clearly prescribed in the Board Charter of WEC adopted since February 2003 and updated on January 2013. A summary of the Charter is available for reference on the corporate website at www.wec.com.my.

Code of Ethics

The Board has put in place a Code of Conduct for all employees of Group, which includes the Ethics, Whistleblowing and Fraud Policy. The Code of Conduct is to ensure the Company's business and operations are in compliance with standard principles set by the Code.

Board Composition, Independence and Diversity Balance

The Board as at 31 October 2015 has seven (7) members, comprising three (3) Executive Directors, one (1) Non-Independent & Non-Executive Director, and three (3) Independent & Non-Executive Directors.

The current composition of the Board is in compliance with the Listing Requirements whereby more than one-third (1/3) of its Board members are independent. The composition of the Board comprises a blend of competent and experienced persons which is essential to achieve a balanced Board to deliver clear leadership and supply constructive decision-making.

A brief description of the background of each director is presented in the Profile of Directors on pages 8 to 10 of this Annual Report. The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. This mix of skill is vital for a successful operation of the Company. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The Independent & Non-Executive Directors brings forth objective and independent judgment to the decision making of the Board in order to provide an efficient check and balance for the Executive Directors.

The Group Chairman also assumes the position of the Group's Chief Executive Officer. He brings with him a wealth of over 30 years of experience in the business operations and possesses the caliber to ensure that policies and strategies approved by the Board are implemented effectively. In view of his vast experience and contribution, the Board considers the departure from the recommended practice of the Code as appropriate under the present circumstances.

The presence of Independent & Non-Executive Directors is essential as they form more than 40% in number of the Directors and they provide unbiased and independent views, advice and judgment as well as to safeguard the interest of other interested parties such as minority shareholders. Hence, the Board is satisfied with the current Board composition that fairly reflects the interests of all shareholders in the Company.

The Company currently do not have a gender diversity policy in place but shall endeavor to support gender diversity in the boardroom as recommended by the Code as and when the opportunity arises.

Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings for particular matters convened as and when necessary. During the financial year ended 31 October 2015, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, its investment plan and strategic decision and the business plan and direction of the Group. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting.

The agenda for each Board meeting and papers relating to the agenda items are disseminated to all Directors at least five (5) days before the meeting to provide sufficient time for the Directors to review the Board papers and seek clarifications, if any. All proceedings from the Board meetings are recorded by way of minutes and signed by the Chairman of the meeting.

The record of attendance at the meetings of the Board of Directors for the financial year ended 31 October 2015 is as follows:-

Name of Directors	Number of Board Meetings
(a) Dato' Wong Kem Woh	4 / 4
(b) Wong Kem Chew	4 / 4
(c) Wong Kam Hooi	4 / 4
(d) Chang Joo Huat	4 / 4
(e) Teh Eng Aun	4 / 4
(f) Datuk Haji Man Bin Mat	4 / 4
(g) Lim Gin Chuan	4 / 4

Board and Management Committees

The Board of Directors delegates certain functions to several Committees to support and assist in discharging its fiduciary duties and responsibilities. They are as follow: -

Board Committee	Key functions
Audit Committee	Explained on pages 14 to 17 of the Annual Report
Nominating Committee	Explained on page 20 of the Annual Report
Remuneration Committee	Explained on page 21 of the Annual Report

Management Committee	Key Functions
Corporate Social Responsibilities Committee	Explained on page 13 of the Annual Report
Risk Management Committee	To perform risk supervision, review risk profiles and organizational performance of the company and group

All Committees have written terms of reference and operating procedures, and the Board receives reports of their proceedings and deliberations. The Chairman of the various Committees will report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.

Supply of Information

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information in advance of meetings. The Directors are furnished with the relevant agenda and Board papers in sufficient time prior to the Board meetings to appreciate issues deliberated at the Board Meeting and expedite the decision making process. The Board papers include reports on the Group's financial, operational and corporate developments.

Every Director also has unrestricted access to the advice and services of the Company Secretaries. The Board believes that the current Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board while the terms of appointment permit their removal and appointment only by the Board as a whole.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports and annual Financial Statements, prior to releasing them to the Bursa Securities. The Board as a whole will determine, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Company's expense.

Company Secretary

The Company Secretaries advises the Board on its duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The appointment and removal of Company Secretaries are subject to approval of the Board.

Appointments to the Board

Nominating Committee

The Nominating Committee consists of the following members:-

Chairman :	Lim Gin Chuan	(Independent & Non-Executive Director)
Members :	Datuk Haji Man Bin Mat	(Independent & Non-Executive Director)
	Teh Eng Aun	(Independent & Non-Executive Director)

The objective of the Nominating Committee is to assist the Board in the selection process for new appointments to the Board in ensuring the effectiveness of the Board as a whole as well as appointments of Senior Management personnel and on overall policies concerning human resource planning and development. The Committee is to assess annually the level of independence and contribution of each individual Director, including Non-Executive Directors, as well as the Chief Executive Officer in discharging his/her duties in the most conscientious manner. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are documented in the minutes of meeting.

The Nomination Committee meeting was held on 15 September 2015. The Committee has reviewed and assessed the Board as a whole and contribution of each individual director including Independent & Non-Executive Directors. The Committee concurred that the performance of all the Directors had been satisfactory and the composition of the Board is satisfactory comprising Directors of good caliber and with experience in all relevant fields. All Directors projected good attendance and good participation/ contribution with their own respective skills at Board Meetings.

Directors' Training

The Board acknowledges the importance of continuous learning and development for its members where Directors are encouraged to review their own training needs on a regular basis, to keep abreast of regulatory updates and the changes and developments of business trends in the manufacturing industry. The Board, through the Nominating Committee, recruits only individuals of good calibre, knowledge and experience to fulfill the duties of a Director appropriately.

The Directors on their own also attended CEP Programs in 2015 organized by Inland Revenue Department, Bursa Malaysia, MAICSA, Federation of Manufacturers of Malaysia and private training consultants. They will continue to attend relevant training programs including the CEP to update their knowledge and skills.

Re-Election

The Articles of Association provide that at the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, one third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one third shall retire from the office. An election of Directors shall take place each year and all the Directors shall retire from the office at least once in every three (3) years but shall be eligible for re-election. The Directors to retire each year are those who have been longest in the office since their appointment or re-appointment. This provides an opportunity for the shareholders to renew their mandates.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

The Company Secretaries will ensure that all necessary information is obtained, as well as all legal and regulatory obligations are met before the re-appointments are made.

Tenure of an Independent Director

Following a review of the tenure of Independent & Non-Executive Directors, Datuk Haji Man Bin Mat and Lim Gin Chuan, who have served as Independent & Non-Executive Directors of the Company for a cumulative term of more than nine (9) years each as at the end of the financial year under review, they have been recommended by the Board to continue to act as Independent & Non-Executive Directors, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. Key justifications for their recommended continuance as Independent & Non-Executive Directors are as follows:

- they fulfil the criteria under the definition on Independent Director as stated in the Listing Requirements and, therefore, are able to bring independent and objective judgment to the Board;
- their experience in the relevant industries enable them to provide the Board and the Audit Committee, as the case may be, with pertinent expertise, skills and competence; and
- they have been with the Company long enough to understand the Company's business operations which enable them to contribute actively during deliberations or discussions at the Audit Committee and Board Meeting.

B. Directors' Remuneration

Remuneration Committee
The Remuneration Committee consists of the following members:-

Chairman:	Teh Eng Aun	(Independent & Non-Executive Director)
Members:	Dato' Wong Kem Woh	(Chairman & Chief Executive Officer)
	Lim Gin Chuan	(Independent & Non-Executive Director)

The Remuneration Committee is responsible for recommending to the Board the remuneration framework and remuneration package for Executive Directors.

None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors with the Directors concerned abstaining from deliberations and voting on decision in respect of his or her individual remuneration.

The policy practiced on remuneration of Directors by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

The remuneration of Directors is structured based on their responsibilities and contribution to the Group.

Details of Directors' Remuneration

The aggregate remuneration of Directors paid or payable to all Directors of the Company by the Group and categorized into appropriate components for the financial year is as follows:--

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM
Fees	60,000	273,000
Salaries	675,324	–
Others emoluments*	14,754	9,539
Total	**750,078**	**282,539**

* Other emoluments comprise bonuses, incentives, provisions for leave and allowances

Details of Directors' Remuneration (cont'd)

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands is as follows:--

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	–	3
RM150,001 to RM200,000	1	–
RM200,001 to RM250,000	–	1
RM250,001 to RM300,000	2	–
Total	**3**	**4**

C. Shareholders

The Company recognizes the importance of being accountable to its shareholders and does this through the Annual Report, Annual General Meetings (AGM) and Extraordinary General Meetings.

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders a complete and clear picture of the Company's performance and position as possible. It has also been the Company's practice to send the Notice of the AGM and related papers to shareholders at least twenty one (21) days before the meeting.

At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed and about the Group's operations in general before putting a resolution to vote. Considering all aspects of cost and resources, the Board does not see the practicality for poll voting to be implemented for all proposed resolutions to be carried out at general meetings of the Company.

In addition, the Company makes various announcements through the Bursa Securities, in particular the timely release of the quarterly results within two months from the close of a particular financial quarter. The Group's quarterly and interim reports, announcements and annual reports can be downloaded from Bursa Securities's website (www.bursamalaysia.com) and the Wong Engineering Corporation Berhad's website (www.wec.com.my) to ensure shareholders are well-informed about the Group's performance and operations.

D. Accountability and Audit

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of the results to shareholders as well as the Chairman's Statement and Review of Operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting.

Directors' Responsibility Statement in respect of the preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as is reasonably opened to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of Internal Controls

The Board acknowledged its responsibility for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The Statement on Internal Control furnished on pages 27 to 28 of the Annual Report provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 14 to 17 of the Annual Report.

During the financial year, the Audit Committee has a dialogue with the external auditors in the absence of the Executive Directors and the Management. A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on page 14 of the Annual Report.

This statement is issued in accordance with a resolution of the Directors dated 24 February 2016.

Statement of Proposed Renewal of Authority to Purchase Its Own Shares

1. INTRODUCTION

1.1. Renewal of Authority For Wong Engineering Corporation Berhad ("WEC" or "the Company") To Purchase Its Own Shares

At the Company's last Annual General Meeting held on 21 April 2015, the Board of Directors had obtained shareholders' approval for the Directors to purchase shares on Bursa Malaysia Securities Berhad ("Bursa Securities") not exceeding ten (10%) per centum of the issued and fully paid-up share capital of the Company.

The authority obtained by the Board of Directors for purchasing the Company's own shares in accordance with Bursa Securities Listing Requirements governing share buy-back by listed companies, lapses at the conclusion on the forthcoming Annual General Meeting ("AGM") unless a new mandate is obtained from shareholders to authorise Directors of the Company to purchase its own shares.

It is the intention of WEC to renew the authority to purchase its own shares in the aggregate up to ten (10%) per centum of its issued and paid-up share capital and the ten (10%) per centum shall always take into account any shares bought back and retained as treasury shares in accordance with Section 67A of the Companies Act, 1965 and the requirements of Bursa Securities and / or any other relevant authorities ("Proposed Share Buy-Back" or "the Proposal"). Consequently, on 1 March 2015, the Company announced that the Board of Directors proposes to seek a fresh mandate from the shareholders for the Company to purchase its own shares on Bursa Securities through its appointed stockbroker previously approved by Bursa Securities. Such authority, if so approved, commences immediately upon obtaining the shareholders' approval in this forthcoming AGM until the conclusion of the next AGM ("Proposed Authorised Period"). As at 29 February 2016 the issued and paid-up share capital of the Company is RM45,773,050 comprising 91,688,000 ordinary shares of RM0.50 each which is inclusive of 141,900 treasury shares held by the Company.

Upon purchase by the Company of its own shares, the purchased shares will be retained as treasury shares. The Company would have the opportunity to distribute those shares as share dividends, thus benefiting the shareholders. The treasury shares may also be resold on the open market of Bursa Securities at a price higher than the purchase price, thereby realizing a potential gain for WEC without affecting the Company's issued and paid-up share capital.

1.2. Purpose of Statement

The purpose of this Statement is to provide relevant information on the Proposed Share Buy-Back and to seek your approval for the ordinary resolution which is to give effect to the Proposed Share Buy-Back to be tabled at the forthcoming AGM. A notice of the AGM together with the Proxy Form are set out in pages 2, 3, 4, and 89 respectively.

2. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY FOR WEC TO PURCHASE ITS OWN SHARES

The Directors of the Company are of the opinion that empowering the Company to undertake the Proposed Share Buy-Back is in response to the government's call to help stabilize the stock market and in the best interest of the Company. It is to be carried out when the share price is transacted at level which does not reflect the potential earning capability of the Group. The Proposed Share Buy-Back is expected to have the effect of stabilising the supply and demand as well as the price of the shares of the Company on Bursa Securities which may in turn have a favourable impact on the share price of the Company.

3. EVALUATION OF THE PROPOSED RENEWAL OF AUTHORITY FOR WEC TO PURCHASE ITS OWN SHARES

3.1. Advantages

The potential advantages of the Proposed Share Buy-Back are as follows:-

- Allows the Company to take preventive measures against excessive speculation in particular, when the Company's shares are undervalued;
- Allows the Company more flexibility in fine-tuning its capital structure;
- To stabilise a downward trend of the market price of the Company's shares;
- Treasury shares can be treated as long term investments. It makes business sense to invest in our own Company as the Board of Directors are confident of WEC's future prospects and performance in the long term;
- Resale of treasury shares at prices higher than the purchase prices when the market price picks up will be realized and as a result increase the working capital and net assets of the Company; and
- In the event that the treasury shares are distributed as dividend by the Company, it may then serve to reward the shareholders of the Company.

3. EVALUATION OF THE PROPOSED RENEWAL OF AUTHORITY FOR WEC TO PURCHASE ITS OWN SHARES (cont'd)

3.2. Disadvantages

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

- The purchase can only be made out of distributable reserves, resulting in a reduction of the amount available for distribution as dividends and bonus issues to shareholders; and
- The purchases of existing shares involve cash outflow from the Company which may otherwise be retained in the business to generate further profits.

4. PARTICULARS OF THE PROPOSED RENEWAL OF AUTHORITY FOR WEC TO PURCHASE ITS OWN SHARES

Funding

The Proposed Share Buy-Back will allow the Directors to purchase WEC's shares at any time within the Proposed Authorised Period. The proposed purchase by the Company of its own shares must be made wholly out of its retained profits and / or the share premium account. There are no restrictions on the types of funds which can be utilized so long as the buy-back is backed by an equivalent amount of retained profits and / or the share premium. Based on the audited financial statements as at 31 October 2015, the Company's retained profits and share premium are RM3,735,546 and RM12,065,068 respectively.

The Proposed Share Buy-Back shall be financed from internally generated funds and / or bank borrowings. The amount of bank borrowings to be used for the Proposed Share Buy-Back would depend on the prevailing interest rates and the repayment capabilities.

5. EFFECTS OF PROPOSED RENEWAL OF AUTHORITY FOR WEC TO PURCHASE ITS OWN SHARES

5.1. Share Capital

There will be no effect on the current issued and paid-up share capital of WEC if the shares so purchased are retained in treasury but the rights attaching to the treasury shares as to voting, dividends and participation in other distribution or otherwise will be suspended. While the WEC's shares purchased remain as treasury shares, the Companies Act 1965 prohibits the taking into account of such shares in calculating the number or percentage of shares in the Company for any purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings and the result of votes on resolutions.

5.2. Net Assets ("NA")

The Proposed Share Buy-Back is likely to reduce the NA per share of the Company and the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and will increase the NA per share of the Group of the purchase price is less than the audited NA per shares of the Company and the Group at the time of purchase.

For shares bought back which are kept as treasury shares, upon resale of such shares, the NA of the Group will increase assuming that a gain has been realized. The quantum of the increase in NA will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

5.3. Working Capital

The Proposed Share Buy-Back will reduce the working capital of the Group, the quantum of which is dependent on actual number of shares bought back and actual purchase prices of the WEC's shares. However, in the opinion of the Directors, the Proposed Shares Buy-Back whether cancelled or kept as treasury is not expected to have a significant effect on the working capital of the Company.

5.4. Earnings

The effect of the Proposed Share Buy-Back on the earnings of the Group will depend on the actual purchase prices of WEC's shares, the number of shares purchased and the effective funding cost of the purchases. Generally, a lesser share capital subsequent to the cancellation of the shares bought-back or either kept as treasury shares will have a positive impact, all else being equal, on the Group's Earnings Per Share ("EPS").

6. OTHER DISCLOSURES IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR WEC TO PURCHASE ITS OWN SHARES

6.1 Public Shareholding Spread

WEC's public shareholding spread and the public shareholders as at 29 February 2016 being the latest practicable date is approximately (50.41% and 1,353) respectively. The public shareholding spread is expected to be increased to (50.56%) assuming the Proposed Share Buy-Back is implemented in full with the purchase from the market.

6.2 Malaysian Code On Take-Overs And Mergers 2010 ("the Code")

The Proposed Share Buy-Back if carried out in full (whether shares are cancelled or treated as treasury shares), may result in a substantial shareholder and/ or parties acting in concert with it incurring a mandatory general offer obligation. In this respect, the Board is mindful of the provision under Practice Note 9 of the Code.

6.3 Purchase of Shares

The purchases of shares made during the financial year ended 31 October 2015 are set out in page 5 under the heading of "Share Buy-Back".

6.4 Resale/ Cancellation of Treasury Shares

The resale of shares made during the financial year ended 31 October 2015 are set out in page 5 under the heading of "Share Buy-Back".

7 DIRECTORS', SUBSTANTIAL SHAREHOLDERS, PERSONS CONNECTED WITH DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

None of the Directors, Substantial Shareholders, persons connected with Directors and Substantial Shareholders have any interest, direct or indirect, in the Proposed Share Buy-Back and resale of treasury shares of the Company.

8 DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share buy-Back is in the best interest of the Group. Accordingly, they recommended that you vote in favour of the ordinary resolution for the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

9 BURSA SECURITIES

Bursa Securities has not perused this statement prior to its issuance. Bursa Securities takes no responsibility for the contents of this statement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this statement.

This statement is issued in accordance with a resolution of the Directors dated 24 February 2016.

Statement on Risk Management and Internal Control

Introduction

The Board is pleased to present herewith the Statement on Risk Management and Internal Control ("Statement") which outlines the nature and scope of internal controls of the Group during the financial year ended 31 October 2015. This Statement is prepared pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia.

Board Resposibility

The Board recognises the importance of a sound system of internal control and an effective risk management framework for good corporate governance.The Board further affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of these systems.

However, in view of the limitations underlying any system of risk management and internal controls which covers financial, operational and compliance controls, the system is designed mainly to manage, rather than to eliminate risks that may impede the achievement of the Group's objectives. Accordingly, it can only provide reasonable but not absolute assurance against any material misstatement, loss or fraud.

Following the latest publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Internal Control Guidance"), the Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group.

Risk Management Framework

The Board regards risk management as an integral part of its business operations and through the Audit Committee ("AC") to maintain risk oversight for the Group. The Risk Management Framework encompasses Risk Management Unit ("RMU"), whose members were made up of managers from different subsidiaries and departments, has identified the critical risks that were faced by the Group. The critical risks identified were brought to the attention of the Risk Management Committee ("RMC") during risk management meetings for deliberation and decision.

The members of the RMC comprise the Chairman and Chief Executive Officer and top management who have been appointed by the Board of Directors.

In addition to the reporting by the RMU, risks that were identified during the course of the internal audit were also reported to the RMC.

Internal Audit Function

The Group's internal audit function, which is outsourced to a firm of professionals, assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. To ensure independence from Management, the internal auditor has direct reporting lines to the Audit Committee.

The Audit Plan is approved by the Audit Committee and audit reports and the status of the audit plan are presented to the Audit Committee. Audits are carried out on a risk based approach, in cognisance with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input of the senior management and the Board. Significant findings and recommendations for improvements are highlighted to the Audit Committee, with periodic follow-up and reviews of action plans.

During the financial year under review, two cycles of internal audit were being carried out for Wong Engineering Corporation Berhad. The costs incurred for the internal audit function for the financial year ended 31 October 2015 amounted to approximately RM 15,500.

Other Risk And Control Processes

Apart from risk management and internal audit, the Board has initiated the following processes to provide assurance to the Board on the proper conduct of the Group's business operations:

- A process of hierarchical reporting has been established to ensure appropriate segregation of duties and to provide for proper documentation and an auditable trail of accountability.
- Quarterly Board and Audit Committee meetings are carried out to assess the overall performance and internal controls of the Group.
- The professionalism and competency of staff are being emphasized through continuous training and regular performance evaluation.
- Regular operation and management meetings were held to discuss the financial and operational matters to ensure proper control in all facets.
- The Group uses the SAP system in its operations and financial reporting. The control features embedded in the system enhance the control environment of the Group.

Weaknesses In Risk Management and Internal Controls That Result In Material Losses

The Board remains committed and resilient towards establishing a robust system of risk management and internal control and is of the opinion that there were no material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report during the year resulting from weaknesses in risk management and internal control. Management continues to take measures to strengthen the control environment.

Conclusion

The Board has received assurance from the Chief Executive Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review and up to date of this Statement.

The Board is of the view that the system of risk management and internal controls in place are satisfactory to protect the Group's interest and that of its stakeholders, particularly on enhancing shareholders' value.

This statement is issued in accordance with the resolution of the Directors dated 24 February 2016.

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 2015.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Loss for the year attributable to :		
Owners of the Company	(3,435,467)	(96,371)
Non-controlling interest	16,203	–
	(3,419,264)	(96,371)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

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
Teh Eng Aun - Independent & Non-Executive Director
Datuk Haji Man Bin Mat - Independent & Non-Executive Director
Lim Gin Chuan - Independent & Non-Executive Director

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 01.11.2014	**Bought**	**(Sold)**	**At 31.10.2015**
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**
Wong Kem Chew				
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**
Wong Kam Hooi				
Interests in the Company :				
- own	1,058,664	–	–	**1,058,664**
Deemed interests in the Company :				
- own	39,324,998	–	–	**39,324,998**
- others ***	586,900	–	–	**586,900**
Chang Joo Huat				
Interests in the Company :				
- own	60,000	–	–	**60,000**
Datuk Haji Man Bin Mat				
Interests in the Company :				
- own	174,200	–	–	**174,200**

* 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 shall also be regarded as the interests of Dato' Wong Kem Woh.

** 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 shall also be regarded as the interests of Mr. Wong Kem Chew.

*** 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 shall also be regarded as the interests of Mr. Wong Kam Hooi.

Directors' interests in shares (cont'd)

	Number of ordinary shares of RM1.00 each			
	At 12.11.2014 (date of incorporation)	**Bought**	**(Sold)**	**At 31.10.2015**
Deemed interests in a subsidiary : FWE Global Sdn. Bhd.				
- Dato' Wong Kem Woh	–	50,000	–	**50,000**
- Wong Kem Chew	–	50,000	–	**50,000**
- Wong Kam Hooi	–	50,000	–	**50,000**

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 2015 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.

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

At an Annual General Meeting held on 21 April 2015, the shareholders had approved a resolution for the Company to purchase its own shares.

During the financial year, the Company repurchased 15,000 (2014 : 9,000) of its ordinary shares from the open market at an average price of RM0.55 (2014 : RM0.59) per share. The relevant details of the shares buy-back/resale are disclosed in Note 10 to the financial statements.

There were no other 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.

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.

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 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item,

Significant event during the year

The details of such event are disclosed in Note 26 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 : 24 February 2016

Statements of Financial Position

As at 31 October 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Assets					
Property, plant and equipment	3	**44,073,320**	48,617,187	**–**	–
Investment properties	4	**3,396,688**	–	**–**	–
Investment in subsidiaries	5	**–**	–	**22,685,851**	22,685,851
Total non-current assets		**47,470,008**	48,617,187	**22,685,851**	22,685,851
Inventories	6	**10,991,688**	8,668,724	**–**	–
Trade and other receivables	7	**8,578,364**	6,706,323	**40,011,265**	40,127,938
Current tax assets		**205,530**	192,400	**–**	–
Cash and bank balances	8	**660,826**	2,464,503	**19,021**	492
Total current assets		**20,436,408**	18,031,950	**40,030,286**	40,128,430
Total assets		**67,906,416**	66,649,137	**62,716,137**	62,814,281
Equity					
Share capital	9	**45,844,000**	45,844,000	**45,844,000**	45,844,000
Reserves	10	**7,058,423**	10,502,134	**15,732,881**	15,837,496
Total equity attributable to owners of the Company		**52,902,423**	56,346,134	**61,576,881**	61,681,496
Non-controlling interest		**40,703**	–	**–**	–
Total equity		**52,943,126**	56,346,134	**61,576,881**	61,681,496
Liabilities					
Loans and borrowings	11	**2,606,044**	3,051,660	**–**	–
Other payable	12	**1,233,113**	–	**–**	–
Total non-current liabilities		**3,839,157**	3,051,660	**–**	–
Loans and borrowings	11	**2,119,724**	2,534,923	**–**	–
Trade and other payables	12	**9,004,409**	4,716,420	**1,139,256**	1,132,785
Total current liabilities		**11,124,133**	7,251,343	**1,139,256**	1,132,785
Total liabilities		**14,963,290**	10,303,003	**1,139,256**	1,132,785
Total equity and liabilities		**67,906,416**	66,649,137	**62,716,137**	62,814,281

The notes on pages 40 to 82 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income For the Year Ended 31 October 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Continuing operations					
Revenue	14	**29,622,665**	26,670,095	**167,400**	167,000
Cost of sales		**(27,144,721)**	(26,039,080)	**–**	–
Gross profit		**2,477,944**	631,015	**167,400**	167,000
Other income		**651,873**	378,021	**–**	–
Distribution expenses		**(509,641)**	(497,736)	**–**	–
Administrative expenses		**(5,603,486)**	(5,178,624)	**(263,771)**	(295,935)
Other expenses		**(63,162)**	(16,930)	**–**	(16,596)
Results from operating activities		**(3,046,472)**	(4,684,254)	**(96,371)**	(145,531)
Finance costs	17	**(337,540)**	(441,532)	**–**	–
Loss before tax		**(3,384,012)**	(5,125,786)	**(96,371)**	(145,531)
Tax expense	18	**(35,252)**	(20,919)	**–**	–
Loss for the year representing total comprehensive expense for the year	15	**(3,419,264)**	(5,146,705)	**(96,371)**	(145,531)
Loss for the year representing total comprehensive expense for the year attributable to :					
Owners of the Company		**(3,435,467)**	(5,146,705)	**(96,371)**	(145,531)
Non-controlling interest		**16,203**	–	**–**	–
Loss for the year representing total comprehensive expense for the year		**(3,419,264)**	(5,146,705)	**(96,371)**	(145,531)
Basic loss per ordinary share (sen)	19	**(3.78)**	(5.65)		

The notes on pages 40 to 82 are an integral part of these financial statements.

Statements of Changes in Equity

For the Year Ended 31 October 2015

	Note	Attributable to owners of the Company						
		Non-distributable						
		Share capital	Share premium	Treasury shares	Distributable / (Non-distributable) Retained earnings / (Accumulated losses)	Total	Non-controlling interest	Total equity
		RM	RM	RM	RM	RM	RM	RM
Group								
At 1 November 2013		45,844,000	11,568,727	(912,157)	3,643,260	60,143,830	–	60,143,830
Loss for the year representing total comprehensive expense for the year		–	–	–	(5,146,705)	(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	–	1,349,009
At 31 October 2014/1 November 2014		45,844,000	12,065,068	(59,489)	(1,503,445)	56,346,134	–	56,346,134
Loss for the year representing total comprehensive expense for the year		–	–	–	(3,435,467)	(3,435,467)	16,203	(3,419,264)
Contributions by and distributions to owners of the Company								
Treasury shares buy back		–	–	(8,244)	–	(8,244)	–	(8,244)
Issuance of shares to non-controlling interest	26	–	–	–	–	–	24,500	24,500
Total transactions with owners of the Company		–	–	(8,244)	–	(8,244)	24,500	16,256
At 31 October 2015		**45,844,000**	**12,065,068**	**(67,733)**	**(4,938,912)**	**52,902,423**	**40,703**	**52,943,126**

		Attributable to owners of the Company				
		Non-distributable			Distributable	
	Note	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
Company						
At 1 November 2013		45,844,000	11,568,727	(912,157)	3,977,448	60,478,018
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
At 31 October 2014/1 November 2014		45,844,000	12,065,068	(59,489)	3,831,917	61,681,496
Loss for the year representing total comprehensive expense for the year		–	–	–	(96,371)	(96,371)
Treasury shares bought representing total transactions with owners of the Company, net		–	–	(8,244)	–	(8,244)
At 31 October 2015		**45,844,000**	**12,065,068**	**(67,733)**	**3,735,546**	**61,576,881**

The notes on pages 40 to 82 are an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended 31 October 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from operating activities					
Loss before tax from continuing operations		**(3,384,012)**	(5,125,786)	**(96,371)**	(145,531)
Adjustments for :					
Depreciation of property, plant and equipment	3	**4,996,493**	4,844,620	**–**	–
Depreciation of investment properties	4	**67,151**	–	**–**	–
Interest expense	17	**337,540**	441,532	**–**	–
Interest income		**(31,996)**	(92,435)	**–**	–
Gain on disposal of plant and equipment		**(30,000)**	(18,521)	**–**	–
Plant and equipment written off		**46,459**	16,282	**–**	–
Impairment loss on investment in a subsidiary		**–**	–	**–**	16,596
Operating profit/ (loss) before changes in working capital		**2,001,635**	65,692	**(96,371)**	(128,935)
Changes in working capital :					
Inventories		**(2,322,964)**	1,096,115	**–**	–
Trade and other receivables		**(1,872,041)**	(1,881,732)	**116,673**	(2,204,186)
Trade and other payables		**3,641,868**	(180,370)	**6,471**	926,750
Cash generated from/(used in) operations		**1,448,498**	(900,295)	**26,773**	(1,406,371)
Tax (paid) / refunded		**(48,382)**	68,062	**–**	–
Net cash from / (used in) operating activities		**1,400,116**	(832,233)	**26,773**	(1,406,371)
Cash flows from investing activities					
Acquisition of plant and equipment	A	**(1,065,690)**	(1,021,523)	**–**	–
Proceeds from disposal of plant and equipment		**30,000**	281,104	**–**	–
Interest received		**31,996**	92,435	**–**	–
Proceeds from disposal of shares to non-controlling interest	26	**24,500**	–	**–**	–
Net cash used in investing activities		**(979,194)**	(647,984)	**–**	–

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from financing activities					
Repayment of finance lease liabilities		**(2,508,466)**	(3,730,325)	**–**	–
Repurchase of treasury shares		**(8,244)**	(5,343)	**(8,244)**	(5,343)
Proceeds from sale of treasury share		**–**	1,354,352	**–**	1,354,352
Interest paid		**(337,540)**	(441,532)	**–**	–
Net cash (used in) / from financing activities		**(2,854,250)**	(2,822,848)	**(8,244)**	1,349,009
Net (decrease)/increase in cash and cash equivalents		**(2,433,328)**	(4,303,065)	**18,529**	(57,362)
Cash and cash equivalents at 1 November 2014/2013		**2,464,503**	6,767,568	**492**	57,854
Cash and cash equivalents at 31 October	B	**31,175**	2,464,503	**19,021**	492

Notes to statements of cashflows

A. Acquisition of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM3,962,924 (2014 : RM2,556,523) of which RM1,065,690 (2014 : RM1,021,523) was paid by cash. The balance of RM1,018,000 (2014 : RM1,535,000) was financed through finance lease creditor while the remaining sum of RM1,879,234 (2014 : RM Nil) was under a deferred payment scheme agreed with the machine vendor on a period of the next 3 years and classified as "other payable".

B. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts :

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Short term deposits with licensed banks	8	**–**	1,350,000	**–**	–
Cash and bank balances	8	**660,826**	1,114,503	**19,021**	492
Bank overdrafts	11	**(629,651)**	–	**–**	–
		31,175	2,464,503	**19,021**	492

The notes on pages 40 to 82 are an integral part of these 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 2015 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 2015 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 24 February 2016.

1. Basis of preparation

(a) Statement of compliance

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

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 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)*

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

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

- 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, as appropriate.

- 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, as appropriate.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the financial statements of the Group and 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, 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 Programmes,* 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.

(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 other than those disclosed in the following notes :

- Note 3 - Impairment assessment for property, plant and equipment
- Note 4 - Fair value estimation and disclosure for investment properties
- Note 6 - Net realisable value of inventories

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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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.

(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) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Non-controlling interests (cont'd)

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) 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 functional currency 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.

(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(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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.

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.

(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.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement(cont'd)

The gain or 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.

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

	%
Short term 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 or as investment property if held to earn rental income or capital appreciation or for both.

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(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.

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) 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) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned or held under leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and buildings held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similarly as property, plant and equipment as stated in accounting policy Note 2 (d).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives. The depreciation rate of buildings for current period based on their estimated useful lives is 2%. Freehold land is not depreciated.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (cont'd)

(g) Investment properties (cont'd)

(ii) Reclassification to/from investment properties

Transfer between investment properties and property, plant and equipment do not change the carrying amount of the property transferred.

(iii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers.

The Directors estimate the fair value of the Group's investment properties based on the following key assumptions :

- Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.

(h) 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.

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.

(i) 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, if any.

(j) 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 (cont'd)

(j) Impairment (cont'd)

(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.

(k) 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 reissuance 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.

2. Significant accounting policies (cont'd)

(l) 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.

(m) 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.

(n) 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 from investment properties 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 (cont'd)

(n) Revenue and other income (cont'd)

(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.

(o) 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.

(p) 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.

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.

2. Significant accounting policies (cont'd)

(q) 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.

(r) 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.

(s) 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.

(t) Fair value measurement

Fair value of an asset or a liability, except for 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment - Group

	Note	Freehold land RM	Short term 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
Cost									
At 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 November 2014		1,315,000	5,262,364	34,695,059	57,565,791	13,663,994	2,160,324	58,320	114,720,852
Additions		–	–	–	3,323,574	608,350	31,000	–	3,962,924
Disposals		–	–	–	(395,250)	–	(33,000)	–	(428,250)
Write-off		–	–	–	(1,519,169)	–	–	–	(1,519,169)
Reclassification		–	–	–	–	58,320	–	(58,320)	–
Transfer to investment properties	4	(1,315,000)	–	(3,357,561)	–	–	–	–	(4,672,561)
At 31 October 2015		**–**	**5,262,364**	**31,337,498**	**58,974,946**	**14,330,664**	**2,158,324**	**–**	**112,063,796**

3. Property, plant and equipment - Group (cont'd)

	Note	Freehold land RM	Short term 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
Depreciation and impairment loss									
At 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
		–	1,476,725	11,092,682	42,564,587	8,125,391	1,905,754	–	65,165,139
Depreciation for the year		–	87,706	681,223	2,967,195	899,001	209,495	–	4,844,620
Disposals		–	–	–	–	–	(1,318,183)	–	(1,318,183)
Write-off		–	–	–	(2,586,444)	(1,467)	–	–	(2,587,911)
At 31 October 2014/1 November 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
Depreciation for the year		–	87,706	612,322	2,985,507	1,039,805	271,153	–	4,996,493
Disposals		–	–	–	(395,250)	–	(33,000)	–	(428,250)
Write-off		–	–	–	(1,472,710)	–	–	–	(1,472,710)
Transfer to investment properties	4	–	–	(1,208,722)	–	–	–	–	(1,208,722)
At 31 October 2015									
- Accumulated depreciation		**–**	**1,652,137**	**11,177,505**	**43,711,099**	**10,062,730**	**1,035,219**	**–**	**67,638,690**
- Accumulated impairment loss		**–**	**–**	**–**	**351,786**	**–**	**–**	**–**	**351,786**
		–	**1,652,137**	**11,177,505**	**44,062,885**	**10,062,730**	**1,035,219**	**–**	**67,990,476**
Carrying amounts									
At 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 November 2014		1,315,000	3,697,933	22,921,154	14,620,453	4,641,069	1,363,258	58,320	48,617,187
At 31 October 2015		**–**	**3,610,227**	**20,159,993**	**14,912,061**	**4,267,934**	**1,123,105**	**–**	**44,073,320**

3. Property, plant and equipment - Group (cont'd)

3.1 Assets under finance lease

Included in the carrying amounts of plant and equipment are assets acquired under finance lease amounting to RM5,734,745 (2014 : RM10,575,482).

3.2 Security

Property, plant and equipment with carrying amount of RM Nil (2014 : RM3,385,440) are charged to bank for banking facilities granted to a subsidiary. The said property, plant and equipment were transferred to investment properties during the financial year (Note 4.4).

3.3 Impairment of assets

During the financial year, the carrying amounts of property, plant and equipment of a subsidiary were subject to impairment review principally due to the less than favourable operating results achieved by the subsidiary.

The recoverable amounts of the cash generating unit relating to the property, plant and equipment of the abovementioned subsidiary were split into two cash generating units by estimating based on their value in use for assets other than properties and fair value less cost to sell for properties.

The value in use was determined by discounting the future cash flows generated from the continuing use of the property, plant and equipment based on the subsidiary's financial budget which covers a period of 5 years. The financial budget was determined based on management's expectations of the market growth in the industry in which the Company operates, anticipated improvement in production yield and operating costs. A pre-tax discount rate of 9.85% was applied in determining the recoverable amount of the property, plant and equipment. The discount rate was estimated based on the subsidiary's weighted average cost of capital.

Fair value less cost to sell was determined based on the discounted asking price by comparison of the subsidiary's properties with similar properties that were listed for sale within the same locality or other comparable localities.

Premised on the above, the carrying amounts of property, plant and equipment were determined to be lower than the recoverable amounts and no impairment loss was recognised.

Impact of reasonably possible change in key assumptions

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

In the event the estimated discount rate and sales growth rate for the subsidiary during the projected years of 2016 to 2020 is lower by 1%, this would result in an impairment loss of property, plant and equipment for the Group by about RM3.8 million and RM0.3 million respectively.

4. Investment properties - Group

	Note	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 1 November 2013/ 31 October 2014/ 1 November 2014		–	–	–
Transfer from property, plant and equipment	3	4,672,561	(1,208,722)	3,463,839
Depreciation for the year		–	(67,151)	(67,151)
At 31 October 2015		**4,672,561**	**(1,275,873)**	**3,396,688**

4.1 The carrying amounts are represented by :

	2015 RM	2014 RM
Freehold land	**1,315,000**	–
Freehold buildings	**2,081,688**	–
	3,396,688	–

4.2 The following are recognised in profit or loss in respect of investment properties :

	2015 RM	2014 RM
Rental income	**158,011**	–
Direct operating expenses :		
- income generating investment properties	**7,061**	–
- non-income generating investment properties	**50,721**	–

4.3 Leases as lessor

Investment properties comprise commercial properties that are leased to third parties. No contingent rents are charged.

4.4 Security

Investment properties with carrying amount of RM3,320,738 (2014 : RM Nil) are charged to bank for banking facilities granted to a subsidiary. The said investment properties were transferred from property, plant and equipment during the financial year (Note 3.2).

4.5 Fair value

The fair value of the investment properties was based on the Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment properties of the Group as at 31 October 2015 is classified as Level 3 of the fair value hierarchy and is determined to be approximately RM5,020,000 (2014 : RM Nil).

Estimation uncertainty and key assumptions

The Directors estimate the fair value of the Group's investment properties based on the following key assumptions :

- Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.

5. Investment in subsidiaries - Company

	2015 RM	2014 RM
Unquoted shares, at cost	**28,130,743**	28,130,743
Accumulated impairment losses		
At 1 November 2014/2013	**(5,444,892)**	(5,428,296)
Impairment loss for the year	**–**	(16,596)
At 31 October	**(5,444,892)**	(5,444,892)
	22,685,851	22,685,851

Details of the subsidiaries are as follows :

Name of entity	Principal activities	Effective ownership interest and voting interest 2015 %	2014 %
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
Wong Engineering Metals (M) Sdn. Bhd.	Dormant	**100**	100
Subsidiaries of Wong Engineering Industries Sdn. Bhd.			
Wong Exerion Precision Technology Sdn. Bhd.	Design, manufacture and supply of complex welded frame structures, related modules and systems	**100**	100
FWE Global Sdn. Bhd.	Design, manufacture and supply of complex welded frames structure, related modules and systems	**51**	–

All the above subsidiaries are incorporated in Malaysia.

5. Investment in subsidiaries - Company (cont'd)

5.1 Non-controlling interest in a subsidiary

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows :

	FWE	
	2015	**2014**
	RM	**RM**
NCI percentage of ownership interest and voting interest	**49%**	–
Carrying amount of NCI	**40,703**	–
Profit allocated to NCI	**16,203**	–
Summarised financial information before intra-group elimination :		
As at 31 October		
Current assets	**83,068**	–
Net assets	**83,068**	–
Year ended 31 October		
Revenue	**64,310**	–
Profit for the year	**33,068**	–
Total comprehensive income	**33,068**	–
Cash flows from operating activity	**33,068**	–
Cash flows from financing activity	**49,998**	–
Net increase in cash and cash equivalents	**83,066**	–

6. Inventories - Group

	2015 RM	2014 RM
Raw materials	**3,869,605**	3,392,934
Work-in-progress	**4,803,657**	2,453,683
Manufactured inventories	**2,318,426**	2,822,107
	10,991,688	8,668,724

The write down of inventories to net realisable value during the year amounts to RM1,303,233 (2014 : RM204,104) and is included in the cost of sales.

7. Trade and other receivables

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Trade					
Trade receivables		**7,556,289**	6,377,811	**–**	–
Non-trade					
Amount due from subsidiaries	7.1	**–**	–	**39,935,989**	40,126,938
Other receivables		**809,557**	105,808	**74,276**	–
Deposits		**25,602**	25,372	**1,000**	1,000
Prepayments		**186,916**	197,332	**–**	–
		1,022,075	328,512	**40,011,265**	40,127,938
		8,578,364	6,706,323	**40,011,265**	40,127,938

7.1 Amount due from subsidiaries

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

8. Cash and bank balances

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short term deposits placed with licensed banks	**–**	1,350,000	**–**	–
Cash and bank balances	**660,826**	1,114,503	**19,021**	492
	660,826	2,464,503	**19,021**	492

9. Share capital - Group/Company

	2015 Amount RM'000	2015 Number of shares '000	2014 Amount RM'000	2014 Number of shares '000
Ordinary shares of RM0.50 each				
Authorised :	**100,000**	**200,000**	100,000	200,000
Issued and fully paid shares :	**45,844**	**91,688**	45,844	91,688

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.

10. Reserves

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Non-distributable :					
Share premium	10.1	**12,065,068**	12,065,068	**12,065,068**	12,065,068
Treasury shares	10.2	**(67,733)**	(59,489)	**(67,733)**	(59,489)
Accumulated losses		**(4,938,912)**	(1,503,445)	**–**	–
Distributable :					
Retained earnings		**–**	–	**3,735,546**	3,831,917
		7,058,423	10,502,134	**15,732,881**	15,837,496

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

10.1 Share premium

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

10.2 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 21 April 2015, 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 15,000 (2014 : 9,000) of its issued ordinary share from the open market. The average price paid for the shares repurchased was RM0.55 (2014 : RM0.59) per ordinary share, including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

10. Reserves (cont'd)

10.2 Treasury shares (cont'd)

	Group / Company			
	2015		2014	
	Amount RM	Number of shares	Amount RM	Number of shares
Balance at 1 November 2014/2013	**59,489**	**126,900**	912,157	1,947,900
Shares repurchased	**8,244**	**15,000**	5,343	9,000
Treasury shares sold	**–**	**–**	(858,011)	(1,830,000)
Balance at 31 October	**67,733**	**141,900**	59,489	126,900

As at 31 October 2015, the number of outstanding ordinary shares issued and fully paid are therefore 91,546,100 ordinary shares of RM0.50 each after offsetting the treasury shares of 141,900 against 91,688,000 issued and fully paid ordinary shares.

11. Loans and borrowings - Group

	2015 RM	2014 RM
Non-current		
Finance lease liabilities	**2,606,044**	3,051,660
Current		
Finance lease liabilities	**1,490,073**	2,534,923
Bank overdrafts - secured	**398,977**	–
- unsecured	**230,674**	–
	2,119,724	2,534,923

11.1 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2015			2014		
	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	**1,688,622**	**198,549**	**1,490,073**	2,791,113	256,190	2,534,923
Between one and five years	**2,791,858**	**185,814**	**2,606,044**	3,296,137	244,477	3,051,660
	4,480,480	**384,363**	**4,096,117**	6,087,250	500,667	5,586,583

11. Loans and borrowings - Group (cont'd)

11.2 Security

The bank overdrafts are secured by certain land and buildings held under investment properties (Note 4).

12. Trade and other payables

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Non-current					
Other payable	12.1	**1,233,113**	–	–	–
Current					
Trade					
Trade payables		**3,535,820**	2,479,129	–	–
Non-trade					
Amount due to Directors	12.2	**2,400,000**	–	–	–
Amount due to a subsidiary	12.2	–	–	**944,399**	946,768
Other payables	12.1	**2,342,768**	1,226,866	**10,208**	3,168
Accrued expenses		**725,821**	1,010,425	**184,649**	182,849
		5,468,589	2,237,291	**1,139,256**	1,132,785
		9,004,409	4,716,420	**1,139,256**	1,132,785

12.1 Other payables

Included in the current non-trade other payables of the Group is an amount owing to a supplier of plant and machinery of RM646,121 (2014 : RM Nil). The balance sum of RM1,233,113 (2014 : RM Nil) owing to the similar machine supplier is not due and not payable within a year.

12.2 Amount due to Directors and a subsidiary

The non-trade amounts due to Directors and a subsidiary are unsecured, interest-free and repayable on demand.

13. Deferred tax

Recognised deferred tax assets and liabilities

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

	2015 RM	2014 RM
Group		
Property, plant and equipment		
- excess of capital allowance	**1,899,767**	1,958,322
- revaluation	**798,572**	798,572
Unabsorbed capital allowance carry-forwards	**(1,803,329)**	(1,572,476)
Unabsorbed reinvestment allowance carry-forwards	**(716,878)**	(1,049,521)
Other items	**(178,132)**	(134,897)
Net deferred tax liabilities recognised	**–**	–

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Movement in temporary differences during the year

	At 1.11.2013 RM	Recognised in profit or loss (Note 18) RM	At 31.10.2014 RM	Recognised in profit or loss (Note 18) RM	At 31.10.2015 RM
Group					
Property, plant and equipment					
- excess of capital allowance	2,435,511	(477,189)	1,958,322	(58,555)	**1,899,767**
- revaluation	798,572	–	798,572	–	**798,572**
Unabsorbed capital allowance carry-forwards	(851,197)	(721,279)	(1,572,476)	(230,853)	**(1,803,329)**
Unabsorbed reinvestment allowance carryforwards	(2,312,841)	1,263,320	(1,049,521)	332,643	**(716,878)**
Other items	(33,368)	(101,529)	(134,897)	(43,235)	**(178,132)**
	36,677	(36,677)	–	–	**–**

13. Deferred tax (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unabsorbed capital allowance carry-forwards	**602,000**	952,000	**–**	–
Unabsorbed reinvestment allowance carry-forwards	**27,720,000**	26,236,000	**–**	–
Unutilised tax losses carry-forwards	**6,518,000**	5,238,000	**459,000**	429,000
Deductible temporary difference	**539,000**	21,000	**–**	–
Other items	**38,000**	–	**–**	–
	35,417,000	32,447,000	**459,000**	429,000

The unabsorbed capital allowance, unabsorbed reinvestment allowance, unutilised tax losses 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 unabsorbed capital allowance, unabsorbed reinvestment allowance, unutilised tax losses and other temporary differences available to the Group and to the Company.

14. Revenue

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	**29,622,665**	26,670,095	**–**	–
Management fee from subsidiaries	**–**	–	**167,400**	167,000
	29,622,665	26,670,095	**167,400**	167,000

15. Loss for the year

Loss for the year is arrived at :

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
After charging :				
Auditors' remuneration				
- Audit fees				
- current year	**103,800**	79,000	**27,000**	20,000
- prior year	**5,000**	–	**2,000**	–
- Non-audit fees				
- Other services by KPMG	**42,000**	16,000	**42,000**	16,000
Impairment loss on investment in a subsidiary	**–**	–	**–**	16,596
Depreciation of property, plant and equipment (Note 3)	**4,996,493**	4,844,620	**–**	–
Depreciation of investment properties (Note 4)	**67,151**	–	**–**	–
Plant and equipment written off	**46,459**	16,282	**–**	–
Rental of buildings	**15,854**	18,880	**–**	–
Professional fees paid to a firm in which a past Director has substantial financial interests	**–**	16,500	**–**	2,000
Inventories written down	**1,303,233**	204,104	**–**	–
Research and development expenses	**1,500**	4,844	**–**	–
Personnel expenses (including key management personnel)				
- wages, salaries and others	**8,344,826**	7,742,535	**167,400**	167,000
- contribution to Employees' Provident Fund	**599,990**	572,287	**–**	–
and after crediting :				
Interest income	**31,996**	92,435	**–**	–
Gain on disposal of plant and equipment	**30,000**	18,521	**–**	–
Rental income on premises	**158,011**	54,900	**–**	–
Gain on foreign exchange				
- realised	**402,915**	70,344	**–**	–
- unrealised	**10,910**	55,621	**–**	–

16. Key management personnel compensation

The key management personnel compensations are as follows :

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Directors :				
Fees				
- Directors	**333,000**	318,000	**165,000**	150,000
- Past Director	**–**	15,000	**–**	15,000
Remuneration	**675,324**	694,794	**–**	–
Other short term employees benefits (including estimated monetary value of benefits-in-kind)				
- Directors	**24,293**	22,623	**2,400**	1,600
- Past Director	**–**	400	**–**	400
Total short-term employee benefits	**1,032,617**	1,050,817	**167,400**	167,000
Other key management personnel :				
- short-term employee benefits (including estimated monetary value of benefits-in-kind)	**–**	158,491	**–**	–
	1,032,617	1,209,308	**167,400**	167,000

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.

17. Finance costs - Group

	2015	**2014**
	RM	**RM**
Interest expense of financial liabilities that are not at fair value through profit or loss :		
Bank overdrafts	**43,452**	11,210
Finance lease liabilities	**294,088**	430,322
	337,540	441,532

18. Tax expense

Recognised in profit or loss

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Current tax expense				
- Current year	**34,893**	26,000	**–**	–
- Prior year	**359**	31,596	**–**	–
Total current tax recognised in profit or loss	**35,252**	57,596	**–**	–
Deferred tax expense				
- Origination and reversal of temporary differences	**–**	(34,927)	**–**	–
- Over provision in prior year	**–**	(1,750)	**–**	–
Total deferred tax recognised in profit or loss	**–**	(36,677)	**–**	–
Total tax expense	**35,252**	20,919	**–**	–

Reconciliation of tax expense

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Loss for the year	**(3,419,264)**	(5,146,705)	**(96,371)**	(145,531)
Total tax expense	**35,252**	20,919	**–**	–
Loss excluding tax	**(3,384,012)**	(5,125,786)	**(96,371)**	(145,531)
Income tax calculated using Malaysian tax rate of 25% (2014 : 25%)	**(846,003)**	(1,281,447)	**(24,093)**	(36,383)
Non-deductible expenses	**143,000**	257,071	**16,582**	22,824
Income not subject to tax	**–**	(4,764)	**–**	–
Effect of deferred tax assets not recognised	**399,973**	1,199,475	**2,917**	13,559
Tax incentives	**(38,034)**	(179,262)	**–**	–
Effect of change in tax rate *	**375,957**	–	**4,594**	–
Under provision in prior year	**359**	29,846	**–**	–
	35,252	20,919	**–**	–

* The corporate tax rate will be changed from 25% to 24% with effect from the year of assessment 2016. Consequently, the deferred tax assets and liabilities which are expected to reverse in 2016 and beyond are measured using tax rate of 24%.

19. Loss per ordinary share - Group

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 October 2015 was based on the loss attributable to ordinary shareholders of RM3,435,467 (2014 : RM5,146,705) and a weighted average number of ordinary shares outstanding, excluding treasury shares held by the Company, calculated as follows :

	2015	2014
Issued ordinary shares at 1 November	**91,081,036**	89,740,100
Effect of share (buy back)/resale	**(133,859)**	1,340,936
Weighted average number of ordinary shares at 31 October	**90,947,177**	91,081,036

Diluted earnings per ordinary share

No diluted earnings per ordinary share is disclosed in the financial statements as there are no dilutive potential ordinary shares.

20. 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 to 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.

	Asia				
	Malaysia RM	Outside Malaysia RM	Europe RM	Others RM	Consolidated total RM
2015					
Revenue from external customers	**19,864,310**	**5,569,147**	**2,602,465**	**1,586,743**	**29,622,665**
Non-current assets	**47,470,008**	**–**	**–**	**–**	**47,470,008**
2014					
Revenue from external customers	17,065,971	5,678,093	2,367,910	1,558,121	26,670,095
Non-current assets	48,617,187	–	–	–	48,617,187

20. Operating segment (cont'd)

Major customers

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

	2015 RM	2014 RM
- Customer A	**6,104,918**	4,754,876
- Customer B	**4,942,333**	2,930,164
- Customer C	**3,818,322**	*
- Customer D	**3,807,358**	5,911,449
- Customer E	*****	2,794,610

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

21. Financial instruments

21.1 Categories of financial instruments

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

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

	Carrying amount RM	L&R RM
2015		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	**8,391,448**	**8,391,448**
Cash and bank balances	**660,826**	**660,826**
	9,052,274	**9,052,274**
Company		
Trade and other receivables	**40,011,265**	**40,011,265**
Cash and bank balances	**19,021**	**19,021**
	40,030,286	**40,030,286**

21. Financial instruments (cont'd)

21.1 Categories of financial instruments (cont'd)

	Carrying amount RM	FL RM
2015		
Financial liabilities		
Group		
Loans and borrowings	**4,725,768**	**4,725,768**
Trade and other payables	**10,237,522**	**10,237,522**
	14,963,290	**14,963,290**
Company		
Trade and other payables	**1,139,256**	**1,139,256**

	Carrying amount RM	L&R RM
2014		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	6,508,991	6,508,991
Cash and bank balances	2,464,503	2,464,503
	8,973,494	8,973,494
Company		
Trade and other receivables	40,127,938	40,127,938
Cash and bank balances	492	492
	40,128,430	40,128,430

21. Financial instruments (cont'd)

21.1 Categories of financial instruments (cont'd)

	Carrying amount RM	FL RM
2014		
Financial liabilities		
Group		
Loans and borrowings	5,586,583	5,586,583
Trade and other payables	4,716,420	4,716,420
	10,303,003	10,303,003
Company		
Trade and other payables	1,132,785	1,132,785

21.2 Net gains and losses arising from financial instruments

	2015 RM	2014 RM
Group		
Net gains/(losses) on :		
Loans and receivables	**245,213**	232,316
Financial liabilities measured at amortised cost	**(136,932)**	(455,448)
	108,281	(223,132)

21.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

21. Financial instruments (cont'd)

21.4 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.

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:

	2015	**2014**
	RM	**RM**
Group		
Domestic	**5,603,532**	4,392,183
Asia	**1,404,916**	1,099,083
Others	**547,841**	886,545
	7,556,289	6,377,811

21. Financial instruments (cont'd)

21.4 Credit risk (cont'd)

Receivables (cont'd)

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
Group			
2015			
Not past due	**5,586,896**	**–**	**5,586,896**
Past due 1 - 30 days	**1,284,918**	**–**	**1,284,918**
Past due 31 - 60 days	**237,527**	**–**	**237,527**
Past due 61 - 90 days	**228,642**	**–**	**228,642**
Past due more than 90 days	**218,306**	**–**	**218,306**
	7,556,289	**–**	**7,556,289**
2014			
Not past due	5,178,508	–	5,178,508
Past due 1 - 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
	6,377,811	–	6,377,811

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk other than 5 (2014 : 3) customers who collectively contributed 83% (2014 : 60%) of the Group's trade receivables as at 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.

21. Financial instruments (cont'd)

21.4 Credit risk (cont'd)

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.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM4,726,000 (2014 : RM5,587,000) 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.

21.5 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.

21. Financial instruments (cont'd)

21.5 Liquidity risk (cont'd)

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 :

	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2015						
Group						
Non-derivative financial liabilities						
Trade and other payables	**10,237,522**	**–**	**10,358,288**	**9,024,955**	**666,667**	**666,666**
Finance lease liabilities	**4,096,117**	**2.55% - 4.72%**	**4,480,480**	**1,688,622**	**1,396,076**	**1,395,782**
Bank overdrafts - secured	**398,977**	**8.35%**	**398,977**	**398,977**	**–**	**–**
- unsecured	**230,674**	**8.35%**	**230,674**	**230,674**	**–**	**–**
	14,963,290		**15,468,419**	**11,343,228**	**2,062,743**	**2,062,448**
Company						
Non-derivative financial liability						
Trade and other payables	**1,139,256**	**–**	**1,139,256**	**1,139,256**	**–**	**–**
Financial guarantees	**–**	**–**	**4,730,000**	**4,730,000**	**–**	**–**
	1,139,256		**5,869,256**	**5,869,256**	**–**	**–**

21. Financial instruments (cont'd)

21.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2014						
Group						
Non-derivative financial liabilities						
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
	10,303,003		10,803,670	7,507,533	1,359,967	1,936,170
Company						
Non-derivative financial liability						
Trade and other payables	1,132,785	–	1,132,785	1,132,785	–	–
Financial guarantees	–	–	5,590,000	5,590,000	–	–
	1,132,785		6,722,785	6,722,785	–	–

21. Financial instruments (cont'd)

21.6 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.

21.6.1 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 currency giving rise to this risk is primarily U.S. Dollar (USD).

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 :

	Denominated in USD **RM equivalent**
2015	
Trade receivables	**1,407,458**
Bank balances	**267,429**
Trade payables	**(297,279)**
Net exposure	**1,377,608**
2014	
Trade receivables	1,314,002
Bank balances	502,377
Trade payables	(323,055)
Net exposure	1,493,324

Currency risk sensitivity analysis

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

A 5% (2014: 5%) strengthening of the RM against the following currency 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.

21. Financial instruments (cont'd)

21.6 Market risk (cont'd)

21.6.1 Currency risk (cont'd)

	Profit or loss	
	2015	**2014**
	RM	**RM**
Group		
USD	**(51,660)**	(56,000)

A 5% (2014 : 5%) weakening of the RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remained constant.

21.6.2 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.

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:

	2015	**2014**
	RM	**RM**
Group		
Fixed rate instruments		
Financial assets	**-**	1,350,000
Financial liabilities	**(4,096,117)**	(5,586,583)
Floating rate instruments		
Financial liabilities	**(629,651)**	-

21. Financial instruments (cont'd)

21.6 Market risk (cont'd)

21.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

(a) 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.

(b) Cash flow sensitivity analysis for variable rate instruments

The Directors are of the opinion that change in interest rates at the end of the reporting period would not significantly affect the profit or loss of the Group.

21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably 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.

21. Financial instruments (cont'd)

21.7 Fair value information (cont'd)

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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2015										
Financial liabilities										
Finance lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**4,096,000**	**4,096,000**	**4,096,000**	**4,096,117**
2014										
Financial liabilities										
Finance lease liabilities	–	–	–	–	–	–	5,586,000	5,586,000	5,586,000	5,586,583

21. Financial instruments (cont'd)

21.7 Fair value information (cont'd)

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.

There has been no transfer between the fair value levels during the financial year (2014: no transfer in either directions).

Level 3 fair value

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. The fair value of the loans and borrowings is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

22. 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.

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

23. Capital commitment - Group

	2015 RM	2014 RM
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	–	232,000

24. 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 5 to the financial statements.

ii) Wong Liu Tax Services (Butterworth) Sdn. Bhd. is a company in which past Director, Ms Tang Yin Kham has substantial financial interest.

24. Related parties (cont'd)

Identity of related parties (cont'd)

iii) Syarikat Ng & Anuar is a firm in which Mr Lim Gin Chuan is a member.

iv) Key management personnel as defined above.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 7 and 12 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash.

i) Transactions with a firm for which a past Director has substantial financial interests :

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Tax fee payable to Wong Liu Tax Services (Butterworth) Sdn. Bhd.	–	16,500	–	2,000

ii) Transactions with subsidiaries

	2015	**2014**
	RM	**RM**
Company		
Management fee received	**167,400**	167,000

iii) Transactions with key management personnel

There were no transactions with key management personnel other than as disclosed in Note 16 to the financial statements.

25. Contingent liability - Company

The Company issued corporate guarantees of RM26.42 million (2014 : RM32.26 million) as security for credit and hire purchase facilities granted to subsidiaries of which RM4.73 million (2014 : RM5.59 million) were utilised at balance sheet date.

26. Significant event during the year

On 12 November 2014, Wong Engineering Industries Sdn. Bhd. ("WEI"), a wholly owned subsidiary had incorporated FWE Global Sdn. Bhd. ("FWE") with the intention of expanding its business for high precision metal components together with Fasons Holdings Sdn. Bhd. ("Fasons").

FWE's authorised share capital is RM400,000 divided into 400,000 ordinary shares of RM1 each with its initial paid up share capital of RM2 at date of incorporation being increased to RM50,000.

Subsequent to the incorporation, WEI sold 24,500 ordinary shares of RM1.00 each to Fasons representing 49% of the issued and paid up capital of FWE for a total cash consideration of RM24,500.

27. 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	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries :				
- realised	**8,023,438**	11,554,955	**3,735,546**	3,831,917
- unrealised	**26,724**	15,813	**–**	–
	8,050,162	11,570,768	**3,735,546**	3,831,917
Less : Consolidation adjustments	**(12,989,074)**	(13,074,213)	**–**	–
Total (accumulated losses)/retained earnings	**(4,938,912)**	(1,503,445)	**3,735,546**	3,831,917

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.

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 34 to 81 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the 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 2015 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 27 on page 82 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 : 24 February 2016

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 34 to 82 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 24 February 2016.

……………………………………..

Dato' Wong Kem Woh

Before me :

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 2015 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 34 to 81.

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.

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 2015 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 27 on page 82 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.

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

Chan Kam Chiew
2055/06/16 (J)
Chartered Accountant

Date : 24 February 2016

Penang

Location	Description	Land Area / Built-up Area	Tenure	Age of Building	Net Book Value RM'000	Date of Acquisition
H.S. (D) 3237 4766, Lorong Permatang Pauh, Off Jalan Permatang Pauh, 13400 Butterworth	Double Storey Semi-Detached Light Industrial (Factory)	4,523 sq.ft. / 5,949 sq. ft.	Freehold	37 years	447	13-11-96
H.S. (D) 1705 & 3238 4767, Lorong Permatang Pauh, Off Jalan Permatang Pauh, 13400 Butterworth	Four Storey Light Industrial (Office and Factory)	12,966 sq. ft. / 47,303 sq. ft.	Freehold	24 years	2,874	13-11-96
Lot 24, Jalan Hi-Tech 4, Kulim Hi-Tech Park (Phase 1), 09000 Kulim, Kedah Darul Aman.	Seven Units Of Industrial Factories And One Unit Of Office Block	7.759 acres / 245,483 sq. ft.	60 years lease expiring on 17.3.2056	17 years	23,255	Land : 05-12-96 Building : 14-01-99
1759-1769 Taman Mutiara 6 09700 Karangan Kulim, Kedah Darul Aman	11 Units Single Storey Terrace House	17,842 sq.ft	Freehold	12 years	520	19-12-01
4-12A Blk 8, 3-01 & 3-02 Blk 9, R/Pangsa Taman Bagan Jalan Bagan 13400 Butterworth	3 Units Flat	1,560 sq.ft	Freehold	24 years	76	13-11-96

Shareholdings Statistics

As at 29/02/2016

AUTHORISED SHARE CAPITAL	: RM100,000,000/= divided into 200,000,000 Ordinary Shares of RM0.50 each
ISSUED AND FULLY PAID-UP CAPITAL	: RM45,844,000/= divided into 91,688,000 Ordinary Shares of RM0.50 each (including 141,900 treasury shares)
CLASS OF SHARE	: Ordinary Shares of RM0.50 each
NO. OF SHAREHOLDERS	: 1,365
VOTING RIGHT	: One Vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	Total Shareholdings	% of Total Shareholdings
LESS THAN 100	8	302	0.00
100 - 1,000	65	43,498	0.05
1,001 - 10,000	925	4,197,380	4.58
10,001 - 100,000	292	8,849,700	9,65
100,001 – 4,584,399 (*)	74	39,272,122	42.83
4,584,400 and above (**)	1	39,324,998	42.89
Total	**1,365**	**91,688,000**	**100.00**

* Less than 5% of issued shares
** 5% and above of issued shares

Substantial Shareholders

	Name	No. of Share Direct	% of Issued Capital	No of Shares Deemed*	% of Issued Capital
1	Dato' Wong Kem Woh	1,202,992	1.314	39,324,998	42.949
2	Wong Kem Chew	1,064,666	1.163	39,324,998	42.949
3	Wong Kam Hooi	1,058,664	1.156	39,324,998	42.949
4	Wong Engineering Holdings Sdn Bhd	39,324,998	42.949	–	–

** Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Wong Engineering Holdings Sdn Bhd*

Director's Interest in the Share Capital in the Company

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Wong Kem Woh	1,202,992	1.31	39,916,998 *	43.60
Wong Kem Chew	1,064,666	1.16	40,351,498 *	44.08
Wong Kam Hooi	1,058,664	1.16	39,911,898 *	43.60
Datuk Haji Man Bin Mat	174,200	0.19	–	–
Lim Gin Chuan	–	–	–	–
Chang Joo Huat	60,000	0.07	–	–
Teh Eng Aun	–	–	–	–

** Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Wong Engineering Holdings Sdn Bhd and spouse and/or children respectively.*

List of Top 30 Holders as at 29/02/2016

No.	Name	Holdings	%
1	WONG ENGINEERING HOLDINGS SDN BHD	39,324,998	42.8900
2	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LOW AH LIN	4,500,000	4.9079
3	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK	4,500,000	4.9079
4	LOW KOK YEW	3,933,700	4.2903
5	JASON CHOONG JIN SUN	3,146,200	3.4314
6	TANG SIEW LENG	1,753,800	1.9128
7	WONG KEM CHEW	1,064,666	1.1612
8	WONG KEM WOH	1,062,674	1.1590
9	WONG KAM HOOI	1,058,664	1.1546
10	TAN GUEK HUWA	1,026,500	1.1196
11	CHOONG CHENG IMM	1,000,000	1.0907
12	WONG QUIN EE, QUEENIE	750,100	0.8181
13	DATO ' LIM KOK HAN	687,200	0.7495
14	TAN PAK NANG	680,000	0.7416
15	YONG LOY HUAT	600,000	0.6544
16	CHOONG EWE MAY	592,000	0.6457
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHIN LOONG	550,000	0.5999
18	TAN HONG YOK	544,900	0.5943
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)	532,000	0.5802
20	MUHAMMAD IKMAL OPAT BIN ABDULLAH	524,000	0.5715
21	CH'NG SHAIU MEI	500,000	0.5453
22	LEE WENG MENG	427,000	0.4657
23	GAN BO TAN	400,000	0.4363
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YEN YEN	338,900	0.3696
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG CHEE KWONG (REM 825)	307,600	0.3355
26	WONG AH YONG	280,000	0.3054
27	ARIVEST SDN BHD	271,000	0.2956
28	LIM BEE KEOW	269,600	0.2940
29	LIM WAN PHEI	252,000	0.2748
30	GOH LEE HIAN	250,000	0.2727

WONG ENGINEERING CORPORATION BERHAD (409959-W)

No. Of Shares Held

PROXY FORM

I/We,____
(Full Name in Block Letter)

NRIC No ____

of____
(Address)

being a member/members of Wong Engineering Corporation Berhad, hereby appoint

____
(Full Name in Block Letter)

of____
(Address)

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company, to be held at Cardamom, Level 2, The Light Hotel, Lebuh Tenggiri 2, Bandar Seberang Jaya, 13700 Penang on Wednesday, **20 April 2016 at 11.00 a.m**. and at any adjournment thereof.

	ORDINARY RESOLUTION							
	1	2	3	4	5	6	7	8
FOR								
AGAINST								

(Please indicate with an "X" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit).

In the case of more than one proxy is appointed, the proportions of my/our shareholding to be represented by my/our proxies are as follows :

Signed this _______ day of _______________, 2016

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by each proxy :		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

____
Signature of Members

Notes :

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.*

2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.*

3. *Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

   An exempt authorised nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.*

5. *For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*

6. *For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 60(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 13 April 2016 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.*

Fold along this line

STAMP

The Joint Company Secretaries
WONG ENGINEERING CORPORATION BERHAD (409959-W)
Suite 16-1 (Penthouse Upper), Menara Penang Garden,
42A Jalan Sultan Ahmad Shah,
10050 Penang.

Fold along this line

www.wec.com.my

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