

WE WONG ENGINEERING CORPORATION BERHAD
(409959-W)

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ASCENDING TO THE
SUMMIT OF SUCCESS

Annual Report
2018

ASCENDING TO THE SUMMIT OF SUCCESS

Growing as a diversified corporate entity that creates significant values that unite the talents of Wong Engineering Corporation Berhad as one, the Company strives to be courageous, innovative, agile, and limitless. Similar to the birds in the visual that possess great determination to cross over a high mountain, Wong Engineering Corporation Berhad welcomes challenges and turn them to opportunities in dynamic international environments. Aiming to provide products and services in newer heights as the Company evolves, Wong Engineering Corporation Berhad creates technological wonders beyond expectations.

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.

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.



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Twenty-Second Annual General Meeting** of Wong Engineering Corporation Berhad ("Company" or "WEC") will be held at Auditorium Room, Level 1, Lot 204, Jalan Bukit Belimbing 26/38, Off Persiaran Tengku Ampuan, Lion Industrial Park Seksyen 26, 40400 Shah Alam, Selangor on Tuesday, 26 March 2019 at 9.30 am for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 October 2018 together with the Reports of Directors and Auditors thereon. **Please refer to Note 1**
2. To approve a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 October 2018. **Ordinary Resolution 1**
3. To approve the payment of Directors' Fees totaling RM300,000 for the period from this Annual General Meeting ("AGM") until the next AGM in 2020. **Ordinary Resolution 2**
4. To approve payment of benefits of up to RM50,000 for the period from this AGM until the next AGM in 2020. **Ordinary Resolution 3**
5. To re-elect the following Directors retiring pursuant to Article 82 of the Company's Constitution and who, being eligible, offer themselves for re-election:
 - (a) Lau Chia En **Ordinary Resolution 4**
 - (b) Low Seong Chuan **Ordinary Resolution 5**
6. To re-elect Anstey Yong Lee Teen who retires in accordance with Article 89 of the Company's Constitution and who, being eligible, offer herself for re-election. **Ordinary Resolution 6**
7. To re-appoint Messrs KPMG PLT 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 7**

As Special Business

To consider and if thought fit, to pass, with or without modifications, the following resolutions:

8. **Authority to issue shares pursuant to Section 75 and 76 of The Companies Act, 2016** **Ordinary Resolution 8**

"THAT, subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 75 and 76 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 total number of issued shares/ total number of voting shares of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued."
9. **Proposed renewal of authority to buy-back its own shares by the Company** **Ordinary Resolution 9**

"THAT, subject always to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the Main Market Listing Requirements of 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 in the Company's total number of issued shares through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:-

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



9. Proposed renewal of authority to buy-back its own shares by the Company (Cont'd)

- 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 total number of issued shares 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 of RM5,367,767 of the Company as at 31 October 2018;
- 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."

10. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution
10

"THAT subject always to the provisions of the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into related party transactions with the Mandated Related Parties, particulars of which are set out in Section 2.4 of the Circular dated 25 February 2019, provided that such transactions are:-

- (a) recurrent transaction of a revenue or trading nature;
- (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
- (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms with those generally available to the public; and
- (d) not detrimental to the interests of the minority shareholders of the Company;

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

10. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (Cont'd)**

AND THAT such authority shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting ("AGM") of the Company following this annual general meeting where the authority is approved, at which time the authority will lapse unless renewed by a resolution passed at the meeting; or
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to do, carry out and complete all such acts, things and arrangements (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions as contemplated/authorised by the Proposed Shareholders' Mandate."

11. **Proposed adoption of New Constitution of the Company ("Proposed Adoption of New Constitution")**

"THAT the Company's existing Constitution be deleted in its entirety with immediate effect and in place thereof, the new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 25 February 2019 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

Special Resolution

12. 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, 25 February 2019

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



Notes:

Appointment of Proxy

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. 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.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), the member may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners 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 authorised nominee defined under the 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 Proxy Form 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 Proxy Form duly completed must be deposited at the Registered Office of the Company, 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, 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, a Record of Depositors ("ROD") as at 19 March 2019 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 on his/her behalf.

Explanatory Notes:

1. Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.
2. Under the proposed **Ordinary Resolutions 2 & 3**, the Directors' Fees and benefits payable to the Directors had been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognise that the Directors' Fees and benefits payable are in the best interest of the Company.
3. The proposed **Ordinary Resolution 8**, is for the purpose of granting a renewed general mandate ("General Mandate"), and 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 number of issued shares/ total number of voting shares 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 have been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 23 March 2018 and which will lapse at the conclusion of the Twenty-Second 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.

4. The proposed **Ordinary Resolution 9**, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.
5. The proposed **Ordinary Resolution 10**, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the recurrent related party transactions as set out in the Circular dated 25 February 2019. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earliest.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Explanatory Notes: (Cont'd)

6. The proposed **Special Resolution**, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in Part B of the Circular to Shareholders dated 25 February 2019.

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 standing for election as a Director at the forthcoming Twenty-Second Annual General Meeting of the Company.

NOTICE OF DIVIDEND ENTITLEMENT



NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Twenty-Second Annual General Meeting of the Company, the final single tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 October 2018 will be payable on 8 May 2019 to depositors registered in the Records of Depositors at the close of business on 18 April 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 18 April 2019 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

TAI YIT CHAN (MAICSA 7009143)
ONG TZE-EN (MAICSA 7026537)
LAU YOKE LENG (MAICSA 7034778)
Joint Company Secretaries

Penang, 25 February 2019

CORPORATE INFORMATION

Board of Directors

Datuk Haji Muhamad Shapiae Bin Mat Ali
Independent Non-Executive Chairman

Yong Loy Huat
Chief Executive Officer

Chang Joo Huat
Executive Director

Low Seong Chuan
Executive Director

Anstey Yong Lee Teen
Executive Director

Eng Teik Hiang
Non-Independent Non-Executive Director

Lau Chia En
Independent Non-Executive Director

Company Secretaries:

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)
Lau Yoke Leng (MAICSA 7034778)

Audit Committee:

Lau Chia En (Chairman)
Datuk Haji Muhamad Shapiae Bin Mat Ali
Eng Teik Hiang

Remuneration Committee:

Lau Chia En (Chairman)
Datuk Haji Muhamad Shapiae Bin Mat Ali
Chang Joo Huat

Nomination Committee:

Datuk Haji Muhamad Shapiae Bin Mat Ali (Chairman)
Eng Teik Hiang
Lau Chia En

Risk Management Committee:

Chang Joo Huat (Chairman)
Low Seong Chuan
Eng Teik Hiang

Registered Office:

170-09-01,
Livingston Tower,
Jalan Argyll,
10050 George Town,
Penang
Tel: 04-229 4390/04-263 7762
Fax: 04-226 5860/04-263 5901

Principal Place of Business:

Lot 24, Jalan Hi-Tech 4,
Kulim Hi-Tech Park (Phase 1)
09000 Kulim, Kedah
Tel: 04-427 1788
Fax: 04-427 1799
E-mail: info@wec.com.my
website: www.wec.com.my

Auditors:

KPMG PLT, Penang
Chartered Accountants
Level 18, Hunza Tower,
163E, Jalan Kelawei
10250 Penang, Malaysia
Tel: 04-238 2288
Fax: 04-238 2222

Share Registrar:

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3,
Bangsar South
No.8, Jalan Kerinchi, 59200
Kuala Lumpur Wilayah Persekutuan,
Malaysia
Tel: 03-2783 9299
Fax: 03-2783 9222

Legal Form and Domicile:

Public Limited Company
Incorporated and domiciled in Malaysia

Principal Bankers:

CIMB Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

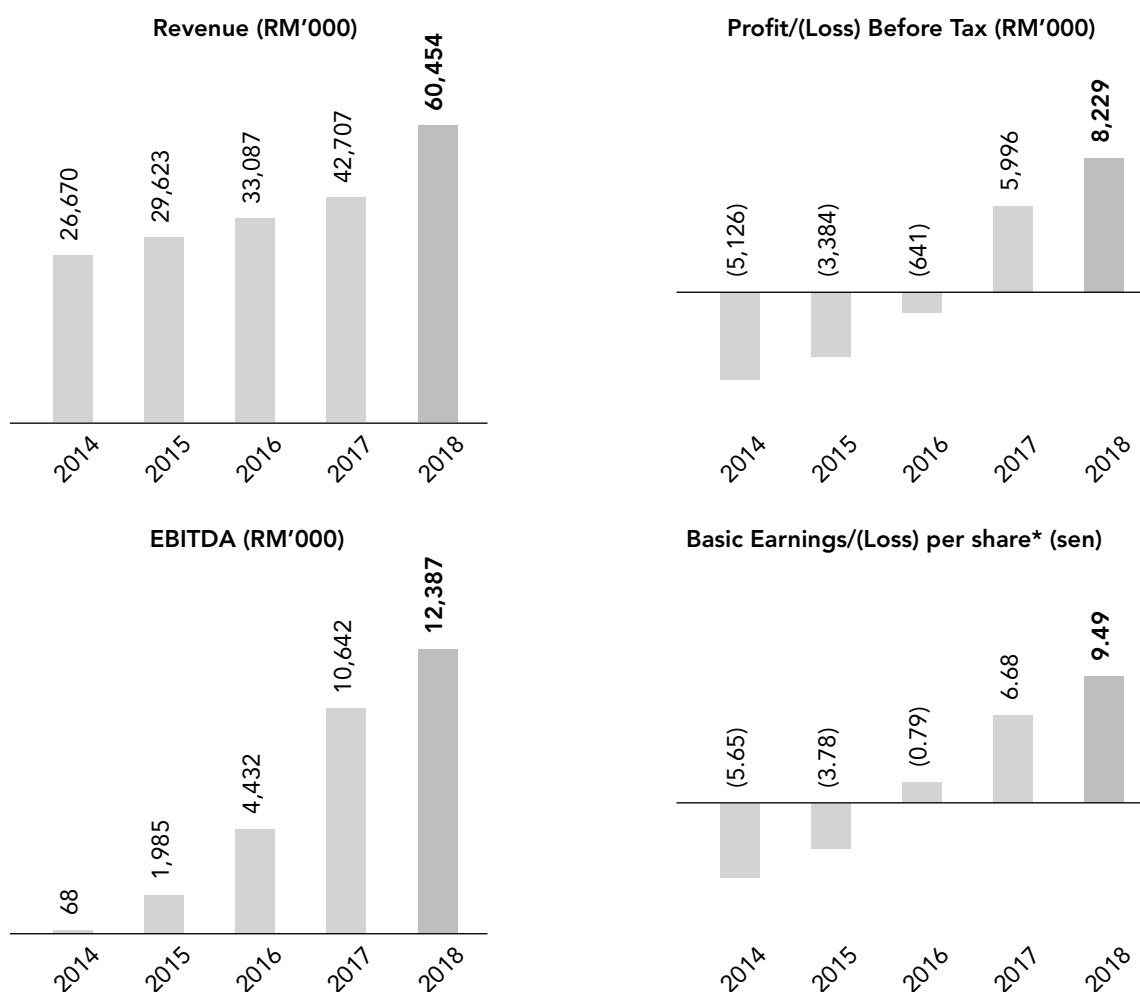
Stock Exchange Listing:

Main Market of Bursa Malaysia Securities Berhad
Stock Name: WONG
Stock Code: 7050

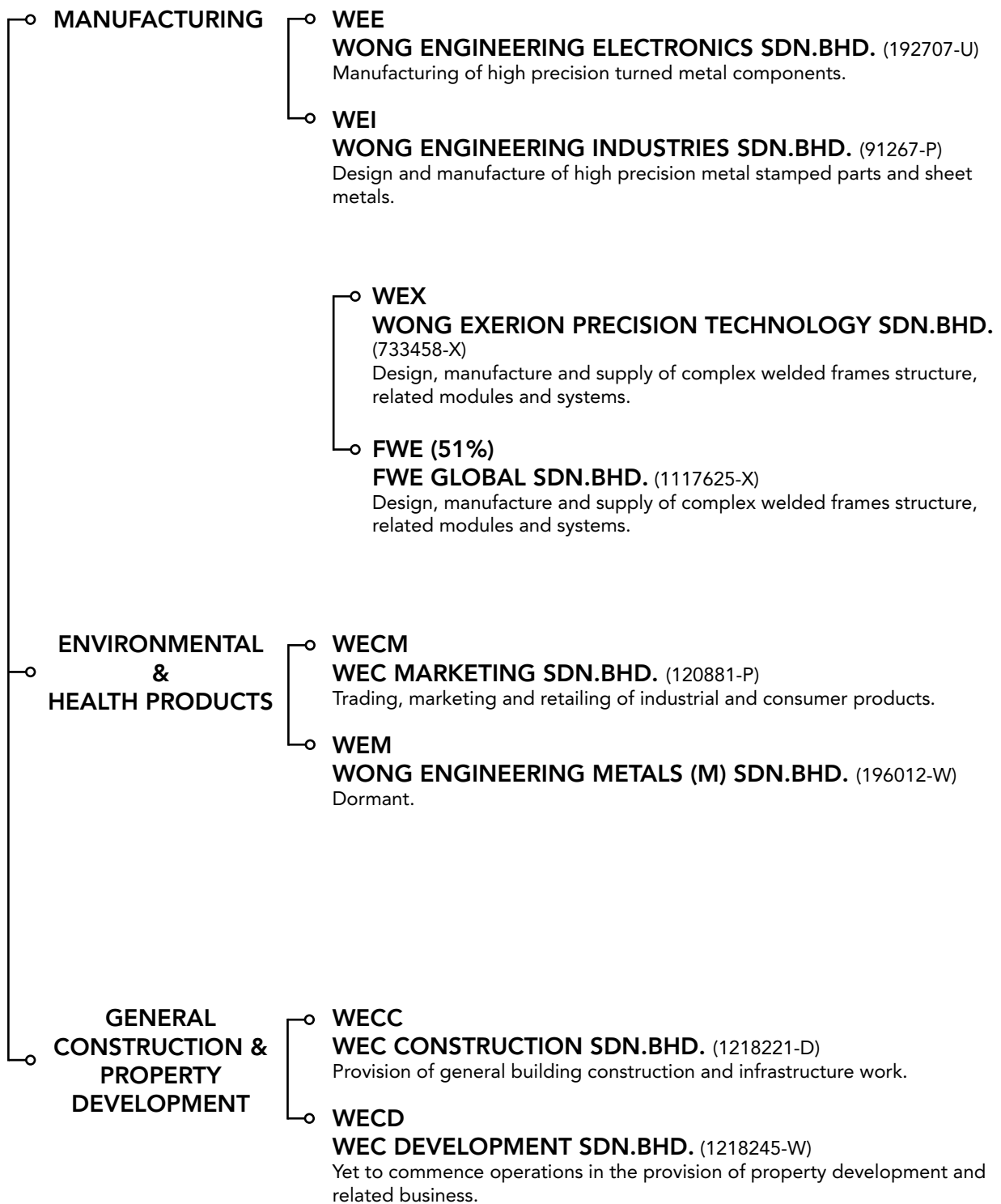
FIVE-YEAR FINANCIAL HIGHLIGHTS

		2018	2017	2016	2015	2014
Revenue	RM'000	60,454	42,707	33,087	29,623	26,670
Profit/(Loss) Before Tax	RM'000	8,229	5,996	(641)	(3,384)	(5,126)
Profit/(Loss) After Tax	RM'000	8,680	6,140	725	(3,419)	(5,147)
Profit/(Loss) attributable to owners of the Company	RM'000	8,677	6,114	715	(3,435)	(5,147)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	RM'000	12,387	10,642	4,432	1,985	68
No. of shares in issue *	000	91,470	91,541	90,802	90,947	91,081
Total Equity attributable to owners of the Company	RM'000	65,364	59,729	53,615	52,902	56,346
Total Assets	RM'000	75,211	72,213	65,115	67,906	66,649
Total Liabilities	RM'000	9,797	12,408	11,450	14,963	10,303
Cash & Cash Equivalents (CCE)	RM'000	9,185	4,589	2,113	661	2,465
Basic earnings/(loss) per share *	sen	9.49	6.68	0.79	(3.78)	(5.65)
Net assets per share *	RM	0.71	0.65	0.59	0.58	0.62
Return on Equity (ROE)	%	13.3%	10.2%	1.3%	-6.5%	-9.1%
Return on Assets (ROA)	%	11.5%	8.5%	1.1%	-5.0%	-7.7%

* Based on weighted average number of ordinary shares (excluding treasury shares) as at 31 October



GROUP STRUCTURE AND ACTIVITIES



PROFILE OF DIRECTORS



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

Datuk Haji Muhamad Shapiae Bin Mat Ali

Independent and Non-Executive Director, Chairman

Datuk Haji Muhamad Shapiae, aged 72, a Malaysian, male, was appointed to the Board of the Company on 18 January 2017. Datuk has many years of working experience in property development, lorry transportation, shipping line, advertising as well as life and general insurance.

He was the Chairman of Mahajaya Berhad and was an Executive Director of Ganad Media Sdn. Bhd., an advertising company. He was also the Chairman of a few Non-governmental organizations.

He is currently the Executive Chairman of Iconic Paragon Sdn. Bhd. and Havana Solaris Sdn. Bhd. which are developers of hotels and service apartments in Bukit Bintang area and affordable homes in Kuala Lumpur.

He does not hold any directorship in other public companies and listed issuers.

Datuk Haji Muhamad Shapiae is the Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. He attended four Board Meetings held during the financial year ended 31 October 2018.

Yong Loy Huat

Chief Executive Officer/Key Senior Management

Mr Yong Loy Huat, aged 65, a Malaysian, male, was appointed as Group Managing Director on 16 November 2016. On 25 March 2017, Mr Yong was re-designated as the Chief Executive Officer.

Mr Yong graduated from Tunku Abdul Rahman College in 1978 with a Diploma in Technology (Building).

Mr Yong has more than 38 years of professional experience in general construction and property development. As Managing Director of Tajukon Sdn. Bhd., he has led projects for the industrial, commercial and residential markets throughout Malaysia. Amongst his notable projects is a RM100 million project involving the conversion and addition of the existing 23-storey Plaza Artium into 163 units of serviced apartments in Kuala Lumpur.

He does not hold any directorship in other public companies and listed issuers.

Mr Yong attended four Board Meetings held during the financial year ended 31 October 2018.

Chang Joo Huat

Executive Director/Key Senior Management

Mr Chang Joo Huat, aged 54, a Malaysian, male, joined the Board of WEC on 1 October 2010 as Executive Director.

He holds a Master in Business Administration from the Southern Pacific University, USA as well as a Bachelor of Engineering (Mechanical System) from University of Putra Malaysia and a Diploma in Engineering (Mechanical) from University of Technology, Malaysia.

Mr Chang started his career as an Assistant Engineer at Matsushita Electric Motor, Singapore in 1987 and has accumulated more than 31 years of experience in manufacturing industry specializing in automation, research & development and project engineering. He was appointed as a Director of the subsidiary company on 1 August 1996 and promoted to Group Technical Director on 1 November 2004.

He does not hold any directorship in other public companies and listed issuers.

Mr Chang is the Chairman of the Risk Management Committee and a member of the Remuneration Committee. He attended four Board Meetings held during the financial year ended 31 October 2018.

PROFILE OF DIRECTORS (Cont'd)

Low Seong Chuan

Executive Director/Key Senior Management

Mr Low Seong Chuan, aged 43, a Malaysian, male, was appointed to the Board of the Company on 16 November 2016.

Mr Low graduated from Hertfordshire University with a B. Eng (Hons) Civil Engineering.

He has been involved in the civil engineering industry for nearly 20 years, inclusive of 17 years in professional consulting environment.

He does not hold any directorship in other public companies and listed issuers.

Mr Low is a member of the Risk Management Committee. He attended four Board Meetings held during the financial year ended 31 October 2018.

Anstey Yong Lee Teen

Executive Director/Key Senior Management

Ms Anstey, aged 29, a Malaysian, female, was appointed as Senior Manager in WEC Group since 2017. She was subsequently re-designated to Executive Director on 02 January 2019.

Ms Anstey holds a Bachelor of Science Degree from The Australian National University, and a Master's Degree in Risk Management, graduated from Monash University, Australia.

Ms Anstey oversees the group's administrative and support departments to ensure smooth running of daily operations. Prior to joining WEC, she had been working as a Finance Analyst with Intel Corporation for 2 years.

She does not hold any directorships in public companies and listed issuers.

Eng Teik Hiang

Non-Independent Non-Executive Director

Mr Eng Teik Hiang, aged 55, a Malaysian, male, was appointed to the Board of the Company on 16 November 2016.

Mr Eng graduated from Tunku Abdul Rahman College with a Diploma in Financial Accounting. He commenced his career in audit and left after 5 years as Audit Manager to work in internal audit with a listed company for 4 years. He then joined a construction company as Finance Manager and spent the next 18 years assuming greater responsibilities and wider scope of duties before assuming his current role as Chief Operating Officer.

Mr Eng does not hold any directorship in other public companies and listed issuers.

Mr Eng is a member of the Audit Committee, Nomination Committee and Risk Management Committee. He attended four Board Meetings held during the financial year ended 31 October 2018.

Lau Chia En

Independent Non-Executive Director

Mr Lau Chia En, aged 47, a Malaysian, male, was appointed to the Board of the Company on 16 November 2016.

Mr Lau graduated from Michigan Technological University with a Bachelor of Science in Electrical Engineering in 1993 and obtained his Master of Science in Business Administration from the University of Wisconsin in 1995.

Mr Lau has been involved in the corporate sector for the past 23 years, of which he practiced corporate finance for at least 18 years in investment banks and stock broking environment in Malaysia. His longest stint in investment banking was with MIMB Investment Bank Berhad and Aseambankers Malaysia Bhd (now known as Maybank Investment Bank Berhad). His area of expertise is mergers & acquisition (M&A), initial public offerings, reverse takeover, and general offer. The last position he held in a formal outfit was as Head of Corporate Finance at SJ Securities Sdn. Bhd., a securities firm in Malaysia.

Currently, he heads his own boutique investment advisory firm. He is also a Non-Independent Non-Executive Director of B.I.G. Industries Berhad, a company listed on the Bursa Securities. Other than as stated, he does not hold any other directorships in other public companies and listed issuers.

Mr Lau is the Chairman of the Audit and Remuneration Committee. He is also a member of the Nomination Committee. He attended four Board Meetings held during the financial year ended 31 October 2018.

PROFILE OF DIRECTORS (Cont'd)



*Notes:

1.	Name of Director	Family Relationships with any Director and/or Major Shareholder
1.	Datuk Haji Muhamad Shapiae Bin Mat Ali	None
2.	Yong Loy Huat	Brother in-law of Mr Low Seong Chuan and Mr Ong Yoong Nyock# Brother of Ms Yong Kwee Lian#
3.	Chang Joo Huat	None
4.	Eng Teik Hiang	None
5.	Low Seong Chuan	Brother in-law of Mr Yong Loy Huat
6.	Lau Chia En	None
7.	Anstey Yong Lee Teen	Daughter of Mr Yong Loy Huat

Mr Ong Yoong Nyock and Ms Yong Kwee Lian are major shareholders of the Company.

2. There is no conflict of interest that the Directors have with the Group.
3. There were no convictions for offences within the past 5 years other than traffic offences (if any).
4. There were no public sanction or penalty imposed by relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

(other than Executive Board Members)

Wong Seik Pin *Sales Director*

Mr Wong, aged 43, a Malaysian, male, was appointed as Sales Director in year 2010.

Mr Wong holds a Bachelor of Engineering in Electronics & Telecommunications and a Master of Engineering in Manufacturing Information System from RMIT University in Melbourne, Australia.

He started his career as an IT Engineer in Eventsmarket Pty. Ltd. in Melbourne before joining WEC Group in 2005 where he worked his way up to eventually become the Sales Director.

Mr Wong does not hold any directorships in public companies and listed issuers.

Narayanamoorthy A/L Arjunan *Production Manager*

Mr Nara, aged 40, a Malaysian, male, has been working with WEC Group since 2002 and he was appointed as Production Manager on 1 November 2008.

He graduated from TAFE College with a Diploma in Electro Mechanical Engineering. After graduating, he worked in Quality Assurance with Astec for two (2) years before joining the WEC Group.

Mr Nara does not hold any directorships in public companies and listed issuers.

*Notes:

None of the Key Senior Management:

1. has any family relationship with any Director and/or Major Shareholder of the Company and the Group.
2. has any conflict of interest with the Company and the Group.
3. has any conviction for offences within the past 5 years others than traffic offences (if any).
4. has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Wong Engineering Corporation Berhad ("WEC" or "the Company") and its subsidiaries (collectively "WEC Group" or "the Group"), I am pleased to present the 22nd Annual Report and Audited Financial Statements of the Group for the financial year ended 31 October 2018 ("FY2018").

FY2018 has proved to be yet another momentous year for our Group. Driven by the surge in revenue from Manufacturing coupled with additional contribution from Construction and Property Development ("PD"), the Group's revenue has grown 42% year on year or RM17.7 million to RM60.5 million; its highest ever in the past 5 years. Profits grew in tandem with the Group's profit before tax rising 37% or RM2.2 million to RM8.2 million against RM6.0 million recorded a year ago.

In line with this positive growth trend particularly in the Manufacturing segment, the Group had invested RM1.1 million and committed a further RM2.0 million of RM 3.1 million on capital investment of which RM1.6 million was spent on a new turn-mill machine while RM0.7 million was allocated towards the setup and deployment of an advanced shop floor management system to further enhance our capabilities and efficiency.

Construction and PD have been progressing steadily with positive contribution to our Group's financial performance. The contract for our project at Kuchai Lama, Kuala Lumpur is scheduled to be completed by August 2020 and we are optimistic that the pace of completion will pick up next year. Notwithstanding the softer market and existing property overhang, the Group will still cautiously seek out new projects for expansion.

In view of the encouraging performance of the Group, the Company has declared a total dividend of 2.0 sen for FY2018. A single tier interim dividend of 1.0 sen amounting to RM0.9 million was paid out in September 2018 while a single tier final dividend of 1.0 sen has been proposed with payment subject to shareholders' approval at the forthcoming annual general meeting. On top of the dividends, the Company has also undertaken a bonus issue of new ordinary WEC shares on the basis of 1 bonus WEC share for every 4 existing WEC shares held. This exercise was completed on 11 January 2019 upon the listing of and quotation for the bonus shares on the Main Market of Bursa Malaysia Securities Berhad. It is anticipated that the enlarged share base will help to improve the marketability and trading liquidity of WEC shares.

Moving forward, we remain optimistic and confident of our prospects in the near to medium term. Despite the challenges ahead with signs of moderating growth in the global and domestic economy as well as global trade, we are strongly committed to explore new opportunities to grow and expand our presence. With this, the Board takes this opportunity to reaffirm our dedication and extend our appreciation to all our shareholders, customers, vendors, business associates, financiers, regulatory bodies and other stakeholders for your continued support and confidence in us and in the future of the Group. As the new fiscal year gets underway, we shall maintain our strong collaboration and partnership and channel our efforts to deliver yet another remarkable year with greater value to the shareholders of WEC.

Datuk Haji Muhammad Shapiae Bin Mat Ali
Independent Non-Executive Chairman
31 January 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OUR GROUP (OVERVIEW)

Established since 1982, Wong Engineering Corporation Berhad and its subsidiaries (“the Group”) are principally engaged in manufacturing of high precision stamped and turned metal parts and components, complex welded frame structure, related modules and systems as well as trading, marketing and retailing of industrial and consumer products.

Our Group offers diverse capabilities to design, develop and produce high precision metal fabricated parts with superior quality assurance. Presently, we support a wide range of prominent multi-national customers all over the globe coming from various industries such as electrical and electronics (“E&E”) to printing and imaging as well as oil and gas.

With approximately 400 employees, we presently operate from our own manufacturing facility located at Kulim Hi-Tech Park, Kulim, Kedah. The facility comprises 7 units of industrial factories and 1 unit of office block with a built-up area of 245,483 sq ft spanning across a land area of 7.759 acres.

On top of our manufacturing business, we have also ventured into construction and property development (“PD”) early in 2017 as part of our diversification strategy. This diversification is part of our long-term plan to branch out from the current highly competitive business and dependence on the E&E industry (which is subject to the vagaries of boom and bust cycle) besides generating new income stream for the Group in the pursuit to grow and maximise shareholders’ value.

FINANCIAL AND OPERATIONAL REVIEW

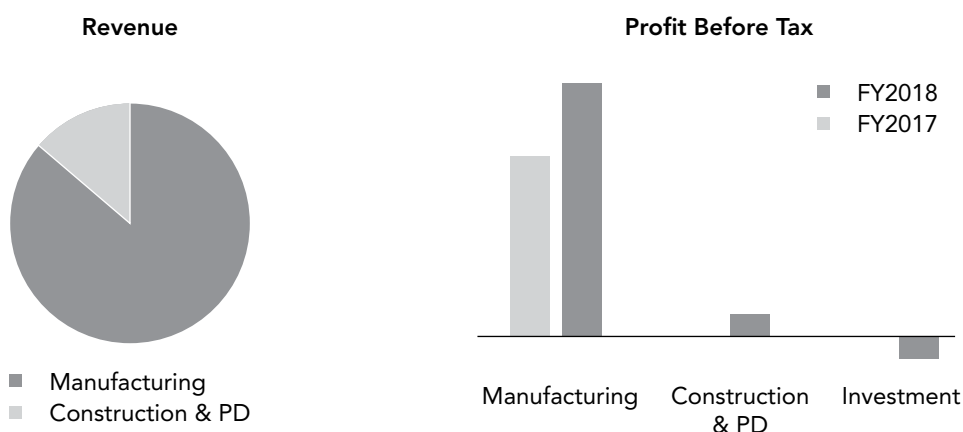
Our Group achieved record revenue of RM60.5 million, up RM17.8 million (+42%) from RM42.7 million posted in the financial year ended 31 October 2017 (“FY2017”). Profit before tax (PBT) has also increased to RM8.2 million which is RM2.2 million (+37%) higher than RM6.0 million recorded last year.

Manufacturing segment remains as our major revenue contributor and has grown by RM8.5 million (+20%) to RM51.2 million from RM42.7 million a year ago. Construction and PD segment further boosted the Group revenue as it introduced a new revenue stream in FY2018 posting revenue of RM9.3 million from our maiden project to build affordable housing apartments at Kuchai Lama, Kuala Lumpur. The growth in Manufacturing segment was largely driven by strong demands from our multi-national customers despite weaker US Dollar exchange rate observed relative to FY2017. For construction & PD, the project was steadily progressing and we are optimistic that the pace will pick up and accelerate in the coming financial year.

The improvement in the Group’s PBT was largely attributed to a one-off gain of RM2.3 million realised from the disposal of a vacant property in early 2018. PBT for Manufacturing segment was largely flat year-on-year excluding the one-off gain while a reduction in PBT margin was due to a less favourable US Dollar exchange rate and higher input cost on raw materials and labour. Nevertheless, the factory utilisation rate remains healthy throughout FY2018 as the management continue its efforts to drive higher efficiency and minimize wastage through lean manufacturing and quality improvement.

During the year, the Group invested RM1.1 million and committed a further RM2.0 million for a total of RM3.1 million in capital. These investment were made to enhance our capabilities and improve our operation’s efficiency through the deployment of advanced machine and systems to sustain the future growth and development of the business.

Our cash and cash equivalent as at 31 October 2018 is a healthy RM9.2 million while our borrowings have been brought down further to RM1.2 million from RM4.0 million in previous financial year. The Group generated RM9.2 million net cash flow from operating activities up RM3.8 million (+70%) compared to RM5.4 million in FY2017.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



CORPORATE EXERCISE

In order to reward the existing WEC shareholders for their continued support and to enlarge the number of ordinary shares in WEC to improve trading liquidity, the Company has, on 20 September 2018 announced to undertake a proposed bonus issue on the basis of 1 bonus WEC share for every 4 existing WEC shares. The Proposed Bonus Issue was approved by Bursa Securities on 22 November 2018 and subsequently, an Extraordinary General Meeting ("EGM") was held on 19 December 2018 of which the shareholders had voted in favour of and approved the Proposed Bonus Issue. The bonus shares were credited into the shareholders' accounts on the night of 10 January 2019 being the book closing date. The exercise was completed with the listing of the bonus shares on 11 January 2019. Upon listing of the bonus shares, the enlarged share base is expected to improve the marketability and trading liquidity of WEC shares on the bourse.

DIVIDEND

For FY2018, the Board of Directors had declared and paid a single tier interim dividend of 1.0 sen on 18 September 2018 to the registered shareholders at the close of business on 3 September 2018 amounting to RM0.9 million. Subsequently, the Board of Directors of the Company has also recommended a final single tier dividend of 1.0 sen per ordinary share for a total of 2.0 sen for FY2018.

This final dividend payment in respect of FY2018 will be subject to shareholders' approval at the forthcoming Annual General Meeting in March 2019. The Board is of the view that the recommended dividend provides an adequate balance between rewarding its investors with appropriate return and retaining sufficient profits to sustain future growth.

RISK MANAGEMENT

There are several immediate key risks that are relevant and related to our Group's operations. While the Company has put in place some initiatives to minimise or mitigate some of the risks, it must be acknowledged that there are some inherent business and operation risks that are beyond the Group's control. The key risks noted are as follows:

Competition and business risks

Our business is constantly facing the pressure of intense competition over costing and pricing. Besides that, we are also subjected to fluctuation of raw material prices which may impact our cost and bottom line. Nonetheless, the risk is fairly managed by internal efforts taken to review and renegotiate with the customers if such need arises. The Group is also continuously investing in advanced machines as well as training and growing the human capital, thus offering first-class capabilities to better contend with stiffer competition.

Political, economic and regulatory risk

Our Group could be affected by impacts due to economic uncertainty and issues such as escalating trade war tensions and fluctuation of foreign exchange rates. These may affect our multi-national customers demand for metal fabricated parts which ultimately dampens our revenue growth. Political leadership changes may also bring in new policies and regulations which may drive higher operational and compliance costs. As such, the Board and Management maintain a close overview over the general business environment ensuring that new or alternative strategies and key execution can be deployed timely to minimise any financial and compliance impacts to the Group.

OUTLOOK

Following the Economic Outlook 2019 published by the Ministry of Finance (MOF), the global economy is expected to expand 3.7% in 2018 and 2019, lower than the earlier forecast of 3.9% (IMF, 2018). Growth in emerging markets is expected to remain steady supported by strong domestic demand. Over in Europe, moderate growth is anticipated due to softer external demand, deteriorating growth in productivity and the anticipation of more barriers to trade following Brexit. With the escalating trade tensions and shift towards protectionism, growth of global trade continues to moderate with projection of 4.2% in 2018 and slower at 4% in 2019 as compared to 5.2% in 2017 (IMF, 2018).

Domestically, the growth of Malaysian economy remains resilient in the near term. Gross Domestic Product (GDP) is projected to expand 4.8% and 4.9% in 2018 and 2019, respectively. The manufacturing sector is projected to register a firm growth of 4.9% in 2018 and 4.7% in 2019 primarily driven by continuous demand for E&E. Construction sector growth on the other hand is expected to moderate from 6.7% in 2017 with increases of 4.5% and 4.7% in 2018 and 2019 following near completion of infrastructure projects as well as property overhang, particularly in the non-residential segment. (Source: Ministry of Finance Malaysia)

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

OUTLOOK (Cont'd)

For our Group, we expect the manufacturing segment growth to remain stable in the short to medium term although demands from our multi-national customers are showing signs of moderation. Having said that, the strengthening of US dollar observed in the second half of 2018 is expected to carry on to the first half of 2019 and will contribute positively to our business. The management remains highly cognizant of the external market risk and is constantly exploring opportunities to grow and expand our presence into medical devices and aerospace as well as other industries to diversify our revenue stream.

As for construction and PD, the Group will intensify its focus to drive a more rapid completion of the project in Kuchai Lama and is cautiously seeking out new projects for expansion in view of the softer market and the current property glut.

The Board is cautiously optimistic that the prospect of our Group shall continue to remain favourable. We are confident that the expansion plans of our Group will yield positive results and contribute satisfactorily to our financial performance in the future; delivering greater value to the shareholders' of WEC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Wong Engineering Corporation Berhad (“WEC” or “the Company”) is committed to ensuring that good corporate governance is practiced throughout the Group as a fundamental part of discharging its responsibilities and for the purpose of safeguarding the interest of its shareholders and stakeholders as well as the assets of the Company and its subsidiaries (“the Group”).

Following the introduction of the Malaysian Code on Corporate Governance (“Code”) by the Securities Commission in 2017, the Board recognises the growing level of expectation by regulators and stakeholders for increased corporate governance and, accordingly has taken necessary steps to ensure strong governance practices are adopted throughout the Group.

The ensuing paragraphs in this Corporate Governance Overview Statement (“Overview Statement”) describe the extent of how the Group has applied and complied with the Principles and Practices of the Code for the financial year ended 31 October 2018 (“FY2018”) and up to the date of this Overview Statement. This Overview Statement is made pursuant to paragraph 15.25(1) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) with guidance drawn from Practice Note 9 of Listing Requirements and the Corporate Governance Guide (3rd edition) issued by Bursa Securities.

The detailed application for each Practice as set out in the Code is disclosed in the Corporate Governance Report (“CG Report”) which is available on the corporate website: www.wec.com.my and through an announcement on the website of Bursa Securities. The CG Report is based on a prescribed format as outlined under para 15.25(2) of the Listing Requirements of Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I: Board Responsibilities

1. Board’s Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board leads and controls the Group. As a collective body, the Board assumes the overall responsibility for the Group: determining strategic direction, overseeing the proper conduct of the Group’s business, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, reviewing the adequacy and integrity of the Group’s internal control systems and Management information systems.

As part of the initiative to ensure effective discharge of its leadership role, specific powers are delegated by the Board to the Board Committees, the Chief Executive Officer (“CEO”) and the Management as outlined in the Board Charter. The Board Committees refer to the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nomination Committee (“NC”). These Committees are entrusted with the responsibility to oversee specific aspects of the Company’s affairs in accordance with their respective Terms of Reference (“TOR”) as approved by the Board, with the aim of improving operational and general management efficiencies. The decision on whether to act on recommendations by the Board Committees lies with the Board. The TOR of the Board Committees are published on the corporate website at www.wec.com.my.

Notwithstanding the delegation of specific powers, the Board retains full responsibility for the direction and control of the Company and the Group. The ultimate responsibility for decision-making on all matters lies with the Board. The roles and responsibilities of the Board are clearly set out in the Board Charter and is available on the Company’s website at www.wec.com.my.

On 19 December 2018, the Board has approved the Annual Budget for FY2019, review of market ecosystem, industry direction and strategies to drive growth. In reviewing the Annual Plan, the Board members had a robust discussion with the executive Board members (representing Management) on their perspectives and assumptions in formulating the Annual Budget for FY2019. This practice is part of the overall improvement plan going forward for better governance. The drive for excellence throughout the Group is driven by tone from the top as enshrined in the Group’s Core Values, Mission and Vision Statements.

1.2 Chairman of the Board

The Chairman, who holds an independent position, provides leadership and governance on the Board. He also creates a conducive environment geared towards building and growing Directors’ oversight and effectiveness and ensure that appropriate issues are discussed by the Board accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I: Board Responsibilities (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.2 Chairman of the Board (Cont'd)

The Chairman's responsibilities encompass the following:

- Leading the Board in its responsibilities for the business affairs of the Group and its oversight of Management.
- Overseeing the Board in the effective discharge of its supervisory role and ensuring adequacy and integrity of the governance process and issues.
- The efficient organization and conduct of the Board's functions and meetings and setting of the Board meeting agenda.
- Facilitating the effective contribution from all Directors as well as promotion of constructive and respectful relations amongst Board members and between Board and Management.

The Chairman also ensures that no member dominates discussion and that appropriate discussions take place and that relevant opinions among Board members are forthcoming. Other roles of the Chairman include maintaining regular and close dialogue with the CEO over operational matters and seeking opinion of fellow Board members over any matters that give cause for major concerns.

1.3 Separation of the position of Chairman and the Chief Executive Officer

The Board has always made the distinction that the position of the Chairman and CEO does not reside with the same person to ensure organisational check and balance for better governance. There is a clear and separate division of responsibility in the roles and duties of the Chairman and CEO.

Mr Yong Loy Huat is the CEO while Datuk Haji Muhamad Shapiae Bin Mat Ali is the Chairman of the Board. The CEO leads the Management and is responsible for the day-to-day business and operational management of the Group. The CEO has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organizational effectiveness and implementation of Board policies and strategies.

The CEO also ensures that the Group's corporate identity, products and services are of high standard and reflective of market environment as well as to ensure that business practices are in compliance with governmental regulations. At each scheduled Board meeting, the CEO will brief on the performance and activities of the Group and specific proposals for capital expenditure, acquisition and disposals, if any.

1.4 Qualified and competent Company Secretary

The Company Secretaries are competent, qualified and capable of providing the needful support to the Board in discharging its fiduciary duties. The Constitution (formerly the Articles of Association) of the Company provides that removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretaries, or their assistant, is present at all meetings to record deliberation, issues discussed and conclusions in discharging her duties and responsibilities and also provide advice in relation to relevant guides and legislations.

Other roles of the Company Secretary include coordinating the preparation of Board papers with Management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.

1.5 Access to information and advice

The Board has unhindered access to the advice and services of the Company Secretaries who are responsible for ensuring that all Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretaries also act as the Company Secretaries for most of the Board Committees.



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I: Board Responsibilities (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.5 Access to information and advice (Cont'd)

All Directors also have access to all information within the Group and may seek the advice of Management on matters under discussion or request further information on the Group's business activities. Minutes are prepared for all Board and Board Committees' proceedings, circulated to the Board and/or Board Committee Members and will be confirmed and signed by the respective Chairman. The minutes will then be tabled at the subsequent meetings for notation.

The Board, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, if so required in furtherance of their duty, at the Group's expense.

The Board of Directors is satisfied that it is supplied, on a timely basis, information in a form and of quality sufficient to enable the Board to discharge its duties. The said information includes, amongst others, the performance report of the Group and major operational, financial and corporate issues. The meeting agenda and board papers for consideration are distributed in advance before each meeting to ensure that Directors have sufficient time to study them, be properly prepared for discussion and decision-making and/or solicit further explanation and information, where necessary so that deliberation at Board meetings are focused and constructive.

2. Demarcation of responsibilities

2.1 Board Charter

The Board Charter provides reference for Directors in relation to the Board's role, powers, duties and functions. On 19 December 2018, the Board Charter, was revised to enhance governance practices on the Board in line with recommendations from the Code and the Listing Requirements.

The TORs have been reviewed and where necessary, revised to enhance governance practices in line with the Code and the Listing Requirements. Other policies will be reviewed from time to time to ensure its relevance. The Board Charter will be reviewed every 2 years.

3. Good business conduct and corporate culture

3.1 Code of Ethics & Conduct

The Core Values of Courageous, Innovative, Agile and Limitless were observed by all our people from Directors down to employees as integral elements towards achieving wholesome sustainability in the long run.

There is the Ethics Policy in place to guide the desired standard of behavior from all staff. The Ethics Policy covers, among others, general employment terms and conditions, commitment to business partners and shareholders, community involvement and environmental commitment.

On 19 December 2018, the Board formalized a Code of Conduct which governs the standards for Labor, Health and Safety, Environment, Business Ethics and Management Systems to manage conformity to the Code of Conduct. The implementation of both the Ethics Policy and Code of Conduct, reflect the Board's commitment and underscored tone from the top for proper ethical behaviour expected of the Directors, Management and staff and compliance with applicable laws and regulations.

These codes provide guidance to all so that right choices can be made in response to any ethical dilemmas in daily work.

3.1 Whistleblowing policy

The Board had, on 30 January 2013, adopted a Whistleblowing Policy. There is a Whistleblowing Policy in place. All malpractices or wrongdoings reported by the whistleblower are to be directed to the Human Resource Manager or CEO. The Whistleblowing Policy is published on the corporate website at www.wec.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II: Board Composition

4. Board objectivity

4.1 Board composition

The Board presently comprised seven (7) members with the composition as outlined below:

Directorate	Director(s)
Executive	Yong Loy Huat, CEO Chang Joo Huat, Executive Director Low Seong Chuan, Executive Director Anstey Yong Lee Teen, Executive Director
Non-Independent Non-Executive Director ("NINED")	Eng Teik Hiang, Non-Independent Non-Executive Director
Independent Non-Executive ("INED")	Datuk Haji Muhamad Shapiae Bin Mat Ali, Independent Non-Executive Chairman Lau Chia En, Independent Non-Executive Director

Brief profile of each Director is detailed under the Profile of Directors in this Annual Report. As all concerns regarding the Group can be conveyed to any one of the Directors and will be deliberated by all Directors during Board meetings (if so deemed necessary), there is no immediate need to consider the appointment of a Senior Independent Non-Executive Director.

The Board is in compliance with Chapter 15.02 of the Listing Requirements of Bursa Securities, which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Directors.

The concept of independence as adopted by the Board is consistent with definition of INEDs outlined under para 1.01 and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and the Group.

The Board is mindful that the Board does not comprise half of INEDs and is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinion and viewpoints.

Therefore, the lack of half of INEDs does not jeopardise the independence of Board's deliberations and all decisions have been made in the best interest of the Company and the Group. Nonetheless the Board will address Board succession planning in the near future to ensure that INEDs form 50% of Board composition.

4.2 Tenure of Independent Director

The Board is mindful of the recommendation of the Code for the tenure of an INED not to exceed a cumulative or consecutive term of nine (9) years. However, an INED who had exceeded the prescribed nine (9) years may continue to serve in the Board subject to re-designation as NINED. As at to-date, none of the INEDs have served on the Board for a cumulative or consecutive term of nine (9) years.

The INEDs do not participate in daily management of the Group. During meetings, the INEDs participate fully during deliberations and fulfill crucial role in corporate accountability by providing independent, impartial, unbiased and objective views, opinions, advice and judgement in the evaluation of various issues on strategies, performance and resources.



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II: Board Composition (Cont'd)

4. Board objectivity (Cont'd)

4.3 Policy on Tenure of Independent Director

The Board Charter provides that the tenure of its INEDs shall be nine (9) years. In the event the Board intends to retain a Director as INED after the latter has served a cumulative/consecutive term of nine (9) years, the Board will justify the decision and seek shareholders' approval at the annual general meeting ("AGM").

4.4 Diverse Board and Senior Management team

The Board is supportive of diversity on the Board and in Senior Management team. Appointment of members of the Board and Senior Management team is based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

The Directors, with their diverse background and professional specialization, collectively, bring with them a wealth of experience and expertise in areas such as general construction, property development, logistics, advertising, life and general insurance, manufacturing (specializing in automation), research & development, project engineering, civil engineering, professional consulting, audit and accounting, corporate finance and corporate restructuring.

4.5 Gender diversity

The Board is supportive of gender diversity on the Board and in Senior Management team. One (1) out of the seven (7) Directors is a female, which testifies to the Group's commitment on gender diversity.

Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Nomination Committee and the Board will consider gender diversity as part of its future selection process and will look into increasing female board representation going forward.

4.6 Diverse sources for new candidate(s) for Board appointment

Ms. Anstey Yong Lee Teen ("Ms Anstey Yong") was appointed as Executive Director on 2 January 2019. An assessment of her candidacy was carried out by the NC. Ms. Anstey Yong's candidacy was an internal search and integral part of the executive Board members' succession planning to groom new leaders for the Group going forward.

4.7 Nomination Committee

The Nomination Committee, comprises solely NEDs with its present composition is as follows:

Chairman	Datuk Haji Muhamad Shapiae Bin Mat Ali
Members	Eng Teik Hiang Lau Chia En

The Nomination Committee would meet at least once (1) annually with additional meetings convened as and when needed. The NC chose to meet post financial year to evaluate the performance of Directors for the immediate past financial year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II: Board Composition (Cont'd)

4. Board objectivity (Cont'd)

4.7 Nomination Committee (Cont'd)

During the year under review, key activities undertaken by the Nomination Committee are summarized as follows:

- (a) reviewed and approved the Terms Of Reference ("TOR") of the Nomination Committee;
- (b) assessed the effectiveness of the Board, the Board Committees and the contribution of each individual Director;
- (c) reviewed the mix of skills and experience and other qualities, including core competence of the members of the Board;
- (d) reviewed the level of independence of Independent Directors;
- (e) assessed the training needs of the Directors and collated training information from all Directors;
- (f) reviewed the size and composition of the Board of Directors as well as the Audit, Nomination and Remuneration Committees;
- (g) discussed the character, experience, integrity and competence of the Directors, chief executive or chief financial officer and to ensure they have the time to discharge their respective roles;
- (h) discussed the annual retirement by rotation and re-election of Directors at the forthcoming AGM and recommended the same for re-appointment/ re-election by the shareholders; and
- (i) reviewed the terms of office and performance of the Audit Committee and its members pursuant to paragraph 15.20 of the Listing Requirements of Bursa Securities.

The TOR of the Nomination Committee is available on the corporate website at www.wec.com.my.

5. Board objectivity

5.1 Overall effectiveness of the Board and individual Directors

The Constitution (formerly the Articles of Association) of the Company provides that an election of Directors shall take place each year and, at the AGM, 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 to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once in at least (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

The director who is subject to re-election and/or re-appointment at next AGM is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nomination Committee is based on the annual assessment conducted.

The Company Secretaries will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

During the FY2018, four (4) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's quarterly operations and financial results, major investments and strategic decisions, implementation of investment policy, business plan and any other strategic issues that may affect the Group's businesses.



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II: Board Composition (Cont'd)

5. Board objectivity (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

In the intervals between Board meetings, approvals are obtained via circular resolutions for exceptional matters requiring urgent Board decision-making which are then supported with information necessary for informed decision-making. As a mean to facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

The listing of the Board members and their attendance at Board meetings held during the financial year under review are as tabulated below:

Director(s)	Board
Datuk Haji Muhamad Shapiae Bin Mat Ali Independent Non-Executive Chairman	4/4
Yong Loy Huat CEO	4/4
Chang Joo Huat Executive Director	4/4
Low Seong Chuan Executive Director	4/4
Eng Teik Hiang Non-Independent Non-Executive Director	4/4
Lau Chia En Independent Non-Executive Director	4/4
Anstey Yong Lee Teen (1) Executive Director	-

Note:

⁽¹⁾ Anstey Yong Lee Teen was appointed to the Board on 2 January 2019

Board meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the Board meeting agenda.

Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda item(s) to facilitate informed decision-making.

The Board is satisfied with the time commitment given by the Directors given full attendance by all Directors at all meetings convened. All of the directors do not hold more than 5 directorships as required under paragraph 15.06 of the Listing Requirements of Bursa Securities.

The Board is cognizant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. As at the date of this Overview Statement, all the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP").

The Directors will continue to attend various seminars and training programmes necessary to enhance and keep abreast with relevant changes, development and updates affecting industries that the Group operates in as well as regulatory requirements. The Directors are updated by the Company Secretaries on any changes to new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II: Board Composition (Cont'd)

5. Board objectivity (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

The trainings attended by the Directors during the financial year under review are as follows:

Director(s)	Seminar / Workshop / Course	Date
Datuk Haji Muhamad Shapiae Bin Mat Ali	Briefing on Malaysian Code on Corporate Governance by the Company Secretary	23 March 2018
	Briefing on Malaysian Code on Corporate Governance - Gap Analysis by the Company Secretary	20 September 2018
Yong Loy Huat	Briefing on Malaysian Code on Corporate Governance by the Company Secretary	23 March 2018
	Briefing on Malaysian Code on Corporate Governance - Gap Analysis by the Company Secretary	20 September 2018
Chang Joo Huat	Malaysian Code on Corporate Governance and Bursa's Listing Requirements – Application, Disclosure and Reporting Expectations	13 March 2018
	Briefing on Malaysian Code on Corporate Governance by the Company Secretary	23 March 2018
	Changes in Listing Requirements Post -Companies Act 2016	23 April 2018
	New MCS System Project Blueprint	24 April 2018
	Findings on CHRA, HIRARC and Noise Monitoring by Amcen Lab	25 April 2018
	Briefing on Malaysian Code on Corporate Governance - Gap Analysis by the Company Secretary	20 September 2018
Low Seong Chuan	Briefing on Malaysian Code on Corporate Governance by the Company Secretary	23 March 2018
	Pre AGM talk on "Artificial Intelligence and its implications on the engineering world"	7 July 2018
	4 th AGM of the Seniors Special Interest Group, IEM	7 July 2018
	Pre AGM talk on "Ultra-High Performance Fiber Reinforced Concrete: Technology for the Present and Future"	14 July 2018
	32 nd AGM of the Civil and Structural Engineering Technical Division, IEM	14 July 2018
	Pre AGM talk on "Training new SCADA engineers for Industrial 4.0 & Digitalization-A future with unlimited employment"	21 July 2018
	9 th AGM of Consulting Engineering Special Interest Group	21 July 2018
	Pre AGM talk on "Waste to Wealth"	28 July 2018
	26 th AGM of Environmental Engineering Technical Division, IEM	28 July 2018
	Talk on "Ergonomics Awareness"	4 August 2018
	Talk on "International Consultant Exposure for Tunnelling Work"	4 August 2018
	Talk on "Non-Structural Cracking in Concrete: What Codes of Practice Don't (Cannot) Tell You!"	7 August 2018
	Pre AGM talk on "Precommissioning Inspection and Testing for TNB Substation Buildings"	11 August 2018
32 nd AGM of Building Services technical Division, IEM	11 August 2018	

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II: Board Composition (Cont'd)

5. Board objectivity (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

The trainings attended by the Directors during the financial year under review are as follows: (Cont'd)

Director(s)	Seminar / Workshop / Course	Date
Low Seong Chuan	Pre AGM talk on "Common Pitfalls in Project Implementation & Administration: Taking a Professional Approach in Practice"	18 August 2018
	14 th AGM of Project Management technical Division, IEM	18 August 2018
	Briefing on Malaysian Code on Corporate Governance - Gap Analysis by the Company Secretary	20 September 2018
Eng Teik Hiang	Briefing on Malaysian Code on Corporate Governance by the Company Secretary	23 March 2018
	Briefing on Malaysian Code on Corporate Governance - Gap Analysis by the Company Secretary	20 September 2018
Lau Chia En	Briefing on Malaysian Code on Corporate Governance by the Company Secretary	23 March 2018
	Briefing on Malaysian Code on Corporate Governance - Gap Analysis by the Company Secretary	20 September 2018
	Independent Directors Programme: The Essence of Independence	20 November 2017

The Board had, through the Nomination Committee, undertaken an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in the better position to assess their areas of concern. Nonetheless, the Nomination Committee had recommended for trainings to enhance financial literacy and to keep up with changes to financial reporting environment as well as understanding the impact of the changes arising from the implementation of Companies Act 2016 and other related laws.

The Company facilitates the organisation of training programs for Directors and maintains a record of the trainings attended by the Directors.

Part III: Remuneration

6. Level and composition of Remuneration

6.1 Remuneration Policy

The objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of the executive Board members, the components of the remuneration package are linked to individual and corporate performance. As for non-executive Directors, the level of remuneration is reflective of their experience and level of responsibilities and the onerous challenges in discharging their fiduciary duties.

During the year, the Remuneration Committee considered the remuneration package for the executive Board members as well as Directors' fees and benefits payable for all Directors. The Directors' fees reflect the broad based roles and responsibilities as well as time commitment to the Group that go with Board membership.

The Directors' fees and benefits payable to the Directors are reviewed annually. The executive Board members played no part in deciding their own remuneration and the respective Board members abstained from all discussions and decisions pertaining to their remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part III: Remuneration (Cont'd)

6. Level and composition of Remuneration (Cont'd)

6.2 Remuneration Committee

The Remuneration Committee is populated as follows:

Chairman	Lau Chia En
Members	Datuk Haji Muhamad Shapiae Bin Mat Ali Chang Joo Huat

The TOR of the Remuneration Committee and Remuneration Policy are available on the corporate website at www.wec.com.my.

During the year under review, key activities undertaken by the Remuneration Committee are summarised as follows:

- (a) Reviewed the Terms of Reference of the Remuneration Committee;
- (b) Reviewed the remuneration package of the Executive Directors to ensure that rewards are linked to corporate and individual performance, experience and level of responsibilities undertaken by each Executive Director, and that it is sufficient to attract, motivate and retain the Executive Directors;
- (c) Discussed and recommended Directors' Fees and benefits payable to Directors under Section 230 of the Companies Act 2016; and
- (d) Reviewed the new Remuneration Policy in accordance with the requirements of the Code.

7. Remuneration of Directors and Senior Management

7.1 Details of Directors' remuneration

The remuneration payable in respect of Directors' fees for FY2018 and FY2019 are categorised as follows:

Type of Fees	FY2018 (RM)	FY2019 (RM)
Executive Board members (per pax)	30,000	30,000
Non-Executive Board members (per pax)	35,000	35,000
Non-executive Board member & Chairman of the Audit Committee	40,000	40,000
Non-Executive Board member & Chairman of the Board	60,000	60,000

The fees and benefits payable for the Directors are endorsed by the Board for approval by the shareholders at the AGM prior to payment.

The remuneration received/receivable by the Directors of the Company for FY2018 is as disclosed in the CG Report.

7.2 Details of top 5 Senior Management's remuneration in bands of RM50,000

7.3 Details of top 5 Senior Management's remuneration on named basis

Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations with a competent and experienced Management team in place, the Board takes the view that there is no necessity for the Group to disclose the remuneration of the Company's Senior Management personnel who are not Directors or the CEO.



PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I: Audit Committee

8. Effective and independent Audit Committee

8.1 Chairman of the Audit Committee

Lau Chia En, an INED, is the Chairman of the Audit Committee. Details on the composition and activities of the Audit Committee are outlined under the Audit Committee Report in this Annual Report.

8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. No former key audit partner was appointed to the AC. As such, there was no need to establish such policy presently. The policy will be established when the need arises in future.

8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency, quality of audit engagement and independence of the external auditors. The Audit Committee meets with the external auditors at least once a year to discuss their audit plan, audit findings and the Company's financial statements.

At least once a year and whenever necessary, the Audit Committee meets with the external auditors without the presence of executive Board members or Management personnel, to allow the Audit Committee and the external auditors to exchange independent views on matters which require the Audit Committee's attention. During the year, the Audit Committee met up twice with the external auditors.

The non-audit service provided by the external auditors during FY2018 was only to review the Statement on Risk Management and Internal Control.

The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the professional and regulatory requirements.

8.4 Composition of the Audit Committee

The Audit Committee comprised 2 INEDs and 1 NINED.

8.5 Diversity in the skills of the Audit Committee

The Audit Committee currently comprises members with professional experience in financial, business and economic environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the Audit Committee the ability to effectively discharge their roles and responsibilities.

Part II: Risk Management & Internal Control Framework

9. Effective risk management and internal control framework

9.1 Establish an effective risk management and internal control framework

The Statement on Risk Management and Internal Controls in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Continuous reviews are carried out by the internal audit function, Management and the Risk Management Committee to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the AC regularly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

Part II: Risk Management & Internal Control Framework

9. Effective risk management and internal control framework

9.2 Disclosure on the features of risk Management and internal control framework

The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

9.3 Establishment of a Risk Management Committee

A management level Risk Management Committee was established on 22 August 2011. Mr Chang Joo Huat, the Head of Risk Management Committee's assumption of the roles and responsibilities is presently to lead from the top and drive the importance of embedding sound practices of risk management throughout the business operations of the Group.

The Risk Management Committee will report on a yearly basis to the Audit Committee.

10. Effective governance, risk management and internal control

10.1 Effectiveness of the internal audit function

10.2 Disclosure on the internal audit function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm which is sufficiently resourced and is a member of the Institute of the Internal Auditors Malaysia to provide the services that meet with the Group's required service level. The service provider has been able to provide reasonable assurance that the Group's system of internal control and risk management is satisfactory and is operating effectively. The internal auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control system.

The activities of the internal auditors during the financial period are set out in the Statement on Risk Management and Internal Controls in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I: Communication with stakeholders

11. Continuous Communication between Company and stakeholders

11.1 Effective and transparent and regular communication with stakeholders

The Group recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

All announcements are reviewed and endorsed by the Board prior to release to the public through Bursa Securities. In addition, all financial related announcements are pre-approved by the CEO before these are submitted to the Audit Committee and Board for approval.

The CEO is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.



PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

Part I: Communication with stakeholders (Cont'd)

11. Continuous Communication between Company and stakeholders (Cont'd)

11.1 Effective and transparent and regular communication with stakeholders (Cont'd)

The Group maintains a website at www.wec.com.my for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance and updates on its awards and recognitions and promotions. Stakeholders can at any time seek clarification or raise queries through the corporate website. Primary contact details are set out on the Group's website.

11.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Company does not fall within the definition of "Large Companies".

Part II: Conduct of general meetings

12. Encourage Shareholder Participation at General Meetings

12.1 Notice for annual general meeting

The Board encourages shareholders' participation and as such, the AGM is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The Directors, Company Secretaries and the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

The notice of the 21st AGM held in 2018 was sent more than twenty-one (21) days before the meeting date to shareholders and was published in a major local newspaper. Items of special business included in the Notice of AGM was accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All suggestions and comments put forth by shareholders were noted by the Board for consideration. The Directors attend the AGM to answer any questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.

All the resolutions set out in the Notice for the 21st AGM were put to vote by poll with the outcome announced to Bursa Securities on the same day. The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

The notice for the upcoming AGM in 2019 will be sent twenty-eight (28) days in advance to enable shareholders to make adequate preparation.

12.2 All Directors to attend general meetings

All the Directors attended the 21st AGM held on 23 March 2018.

12.3 Leveraging on technology for voting in absentia and remote shareholders' participation

Based on an analysis of the investors, the Company does not have a large number of shareholders. A large majority of investors are Malaysians. As such, the concern over voting in absentia and/or remote shareholders' participation at AGM are not applicable.

As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Statement on Compliance

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has in all material aspects satisfactorily complied with the principles and practices set out in the Code, except for the departures set out in the CG Report.

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 18 February 2019.

AUDIT COMMITTEE REPORT



Formation

The objective of the Audit Committee (“AC” or “Committee”), as a Committee of the Board of Directors (“Board”) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control. The primary functions of the AC, include, among others, the following:

- (a) Assess the Group’s process relating to its risks and control environment;
- (b) Oversee financial reporting; and
- (c) Evaluate the internal and external audit process.

The terms of reference of the AC is published on the Company’s website at www.wec.com.my.

Composition, Meeting And Attendance

The present AC comprises solely Non-Executive Directors with a majority of them being independent, in compliance with para 15.09 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Practice 8.4 of the Malaysian Code on Corporate Governance (“Code”).

The members of the AC and their attendance at the four (4) meetings held during the financial year under review are as tabulated:

Composition Position in Committee	Attendance
Lau Chia En Chairman	4/4
Datuk Haji Muhamad Shapiae Bin Mat Ali Member	4/4
Eng Teik Hiang Member	4/4

All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC.

The minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting. The AC Chairman reported to the Board on the activities undertaken and the key recommendations for the Board’s consideration and decision. During the financial year ended 31 October 2018 (“FY2018”), the AC met four (4) times to discuss matters, among others, in relation to the accounting and reporting practices, related party transactions as well as internal and external audits of the Company and its subsidiaries.

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary or her representative was present at all the meetings. The executive Board members, members of management as well as representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arose.

The AC also made arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities. The AC met twice (2) with the external auditors without the presence of the executive Board members and management during the financial year under review.

Summary of Activities During the Financial Year

The main activities undertaken by the AC during FY2018 were as follows:

1. Financial Performance and Reporting

- (a) Reviewed quarterly unaudited financial results of the Group before recommending to the Board for its consideration and approval and subsequent announcement to Bursa Securities.
- (b) Reviewed the Company’s compliance, in particular, the quarterly and year-end financial statements, with the Listing Requirements of Bursa Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements.
- (c) Reviewed recurrent related party transactions of revenue and trading nature and other related party transactions entered into by the Group.

AUDIT COMMITTEE REPORT (Cont'd)

2. Internal Audit ("IA")

- (a) Reviewed and approved the annual IA plan for financial year ended 31 October 2018.
- (b) Reviewed the internal audit reports, audit recommendations made and management's response to these recommendations and actions taken to improve the system of internal control and procedures.

Monitored the feedback and reports from the Internal Auditors for matters of non-compliance, weakness in internal control systems or the lack of it as well as recommendations and management's response.

The Audit Committee has, where appropriate, directed management to rectify and improve control procedures and workflow processes based on the internal auditors' suggestions for improvement.

- (c) Reviewed the implementation of these recommendations through follow up audit reports.

3. External auditors ("EA")

- (a) Discussed the audit plan, scope of work/audit and reporting obligations as well as proposed audit fee for the year under review with the external auditors before commencement of audit engagement.
- (b) Reviewed and discussed with the auditors, the findings and results arising from the audit of the financial year ended 31 October 2018 and management letter (if any) together with management's response and comments.
- (c) Responded to external auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's and the Company's financial statements.
- (d) Reviewed the suitability and performance as well as factors relating to the independence of the external auditors with due consideration to the quality, robustness and timeliness of the audit and report furnished, audit governance, level of understanding demonstrated of the Group's business and communication about new and applicable accounting practices and auditing standards and its impact on the Group's and the Company's financial statements as well as the quality of the people and service level.
- (e) Reviewed the non-audit services provided by the external auditors, if any.
- (f) Following a review of the performance and independence of the external auditors during FY2018, the Audit Committee recommended the re-appointment of KPMG.

4. Corporate Governance

- (a) Reviewed the relevant regulatory changes and ensure compliance by the Company and the Group.
- (b) Reviewed and approved/recommended, as applicable, the Audit Committee Report, Statement of Risk Management and Internal Control, Statement on Corporate Governance and Corporate Governance Report for Board's approval before inclusion in the Annual Report 2018.
- (c) Reviewed, discussed, approved and monitored recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group as reported by the Management.

Internal Audit Function

The Board acknowledges the need for an effective system of internal control covering all aspects of the Group's activities including the mapping and management of risks which the Group may be exposed to.

The Group has engaged an independent professional consulting firm to provide outsourced internal audit function to carry out internal audit of the Group. This is to assist the Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM15,945.00.

The principal role of the internal audit function is to undertake independent and periodic reviews of the system of internal controls and risk management so as to provide a reasonable assurance that such system continues to operate satisfactorily and effectively.

It is the responsibility of the internal audit function to provide the AC with independent and objective reports on the risk management profile as well as 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.

AUDIT COMMITTEE REPORT (Cont'd)



Finfield Corporate Services Sdn Bhd took the risk based approach in planning the Internal Audit Plan for the approval of the AC. During FY 2018, the internal audit function carried out 2 cycles of internal audits to test the adequacy and effectiveness of the internal control system for human resource development, payroll, safety & health and information technology.

Further information on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control in this Annual Report.

This report was approved by the AC on 18 February 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present herewith the Statement on Risk Management and Internal Control (“SORMIC”) which outlines the nature and scope of internal controls and risk management of the Group during the financial year ended 31 October 2018. This Statement is prepared pursuant to paragraph 15.26 (b) of the Listing Requirements of Bursa Securities.

Board Responsibility

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.

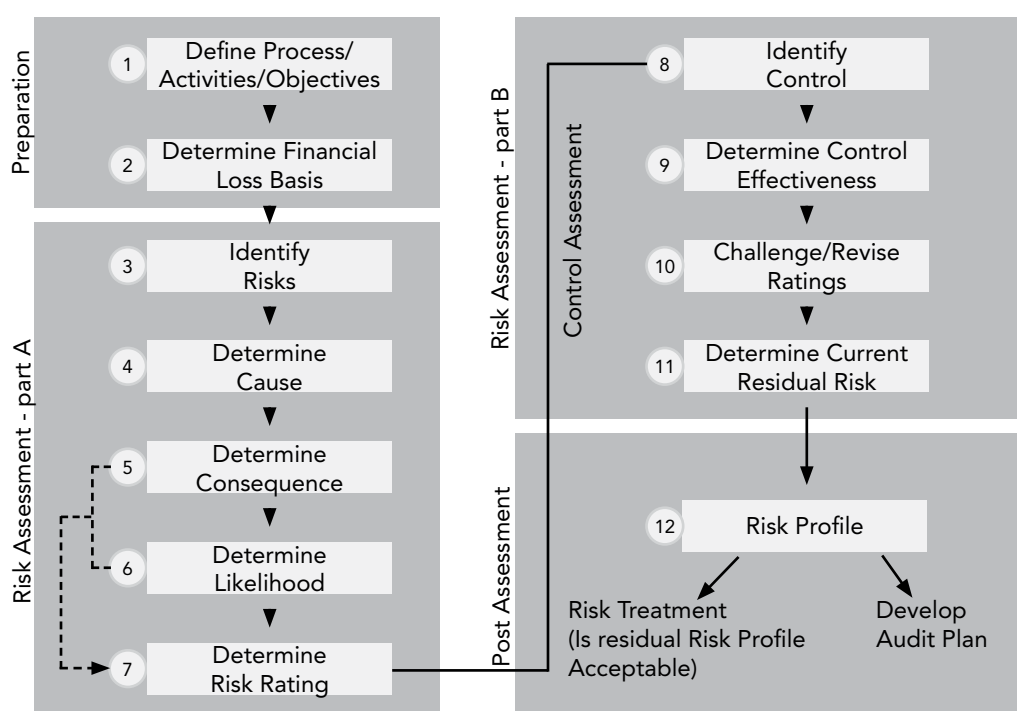
Following the latest publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the “Internal Control Guidance”), the Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group.

Risk Management Framework

Risk Management Committee (“RMC”) was established by the Board to undertake the responsibility of reviewing the development of risk management framework, align with business and operations requirements which supports the maintenance of a strong control environment. The Group has established an on-going process for identifying, and documenting major risks, evaluating the potential impact and likelihood of occurrence and mitigating controls through the adoption of risk management methodology and approach. This process is reviewed by the RMC and the Audit Committee (“AC”) and report to the Board directly.

The risk framework consists of Risk Management Unit (“RMU”) made up of all Heads of Department within the Group. The RMU met twice a year to review and update the risk register, and assess status of risk mitigation action plan. The risk governance structure is aligned across business units and subsidiaries of the Group through the streamlining of the risk framework, policies and organisational structures in order to embed and enhance the risk management and risk culture based on the Group’s growth and expansion plan.

The risk management process encompasses a 12-step process for the identification, assessment, management and monitoring risks which could impact the objectives of the Group.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

The RMC is required to identify major business and compliance risks concerning the respective business units, oversees and ensures integration of risk management into the business processes to safeguard the interest of the Group covering the 11 major areas, namely Commercial Program Management, Supply Chain Management, Engineering, Production, Management Information Systems, Finance, Compliance, Human Resource, Warehouse & Logistics, Facility and Quality Assurance.

Existing controls to mitigate and to manage risks are then re-assessed and strengthened. The Board believes that the Group's risk management framework are integral to maintaining a sound risk management and internal control system through the establishment of RMC with the responsibilities of (a) identifying and communicating the key risks to the Board, (b) formalising the policy and procedures to outline the risk management framework for the Group, (c) identifying principal risk faced by operating units, to articulate the Group's risk appetite and parameters, both qualitative and quantitative, (d) appointing risk committee to coordinate the risk management activities within the Group, and (e) supervising the policy implementation and documentation at Group level. In short, the RMC is overall responsible for maintaining, monitoring and evaluating the effectiveness of the risk management system on an on-going basis.

Internal Audit Function

The Group's internal audit function, which is outsourced to a firm of independent professionals, assists the Board and the Audit Committee in providing objective and independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. To ensure independence from Management, the internal auditor is free from any relationship or conflicts of interest with the Group and has direct reporting lines to the Audit Committee. Additionally, the Internal Auditor is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia.

The Audit Plan is approved by the Audit Committee and audit reports and the status of the audits planned are presented to the Audit Committee. The Audit Plan and audits are carried out on a risk-based approach with its framework defined pursuant to COSO, 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 under review, two cycles of internal audit were carried out for Wong Engineering Corporation Berhad, as follows:

- (1) Customer relationship management, sales transactions, accounts receivable and credit control.
- (2) Human resource development, payroll and safety & health.

The costs incurred for the internal audit function for the financial year ended 31 October 2018 amounted to RM15,945.

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.
- A formal and well defined scope of responsibility and delegation of authority has been established through the Board Charter/terms of reference and organizational structures.
- Board and Audit Committee meetings are carried out to assess the overall performance and internal controls of the Group.
- The Audit Committee reviews the financial results and evaluates explanations and reasons for any significant unusual variances.
- The RMU comprising senior management from each subsidiary who review operationally their respective business units and report to RMC in order to assist RMC in discharging their oversight role on the Group's activities.
- The professionalism and competency of staff are being emphasised 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

Effectiveness of Internal Control

The review and assurance of the system of internal control is an ongoing process. It is continuously reviewed by the Internal Audit and Audit Committee and weaknesses and incidents of non-compliance with policies and procedures are highlighted to the management for improvement actions to achieve business objectives.

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

The Board remains committed 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.

Assurance from Management

The Board has received assurance from the Executive Directors 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.

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Main Market Listing Requirement ("Listing Requirements") of Bursa Securities:

1. Utilisation of Proceeds

No proceeds were raised from any corporate exercise during the financial year.

2. Audit Fees and Non-Audit Fees

The amount of audit fees and non-audit fees paid to the external auditors or a firm or corporation affiliated to the external auditor by the Group during the financial year ended 31 October 2018 are as follows:

Paid By	Audit Fees (RM)	Non-Audit Fees (RM)
Company	31,000	4,000
Group	134,000	4,000

The recurring non-audit services include annual review of the Statement on Risk Management and Internal Control.

3. Material Contracts involving Directors and Substantial Shareholders

There were no material contracts entered into by the Company and its subsidiaries, involving the Directors' and substantial shareholders' interests during the financial year ended 31 October 2018.

4. Recurrent Related Party Transaction of a Revenue or Trading Nature ("RRPT")

Details of the RRPT transacted during the financial year ended 31 October 2017 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 23 March 2018 are as tabulated below. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 28 February 2018.

Provider of goods and services	Recipient of goods and services	Nature of transaction	Actual value transacted ⁽¹⁾ (RM)	Related parties
Tajukon Sdn Bhd ("Tajukon")	WEC Construction Sdn Bhd	Project management services for in relation to earthworks, infrastructure works, building construction works, project supervision, conceptual design, procurement of architectural services, quantity surveying and certification of works, contract documentation including reviewing, coordinating of construction documents, liaising with relevant authorities and consultants and other services.	861,520	Yong Loy Huat ("YLH") is the Chief Executive Officer and major shareholder of WEC. YLH is also a Director and major shareholder of Tajukon. Yong Chiew Lian ("YCL"), a Director and major shareholder of Tajukon, is the sister of YLH.
		Rental of cranes, formworks, machineries and equipment to facilitate the operational works.	0	Low Siong Chan, a Director and substantial shareholder of Tajukon is the brother-in-law of YLH and the brother of Low Seong Chuan.
		Rental of office space located at No. 31-4, Tingkat 3, Jalan SP 2/2, Taman Serdang Perdana Seksyen 2, 43300 Seri Kembangan, Selangor	13,200	

Note:

(1) The actual value transacted during the financial year ended 31 October 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities in relation to the preparation of audited financial statements pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities

The Directors are responsible for ensuring that the audited financial statements of the Group and of the Company are prepared in accordance with the requirements of the Malaysian Financial Reporting Standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities.

The Directors are also responsible for ensuring that the audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records which give a true and fair view of the state of affairs of the Group and of the Company as at 31 October 2018 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 October 2018, the Group and the Company have used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

SUSTAINABILITY STATEMENT 2018

Sustainability and Our Business

Wong Engineering Corporation Berhad (“WEC” or the “Company”) recognizes the importance of sustainability as a key driver for long-term business growth where success is defined by more than financial profits. We are mindful of the need to develop our business in a sustainable and responsible manner and endeavor to practice, preserve and promote activities that will continually contribute to and benefit the economy, environment and society today and in the future.

This is the first Sustainability Statement published in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with the objective of communicating our Group’s (“WEC and its major subsidiary WEI”) material sustainability matters that reflect significant economic, social and environment impacts of the business.

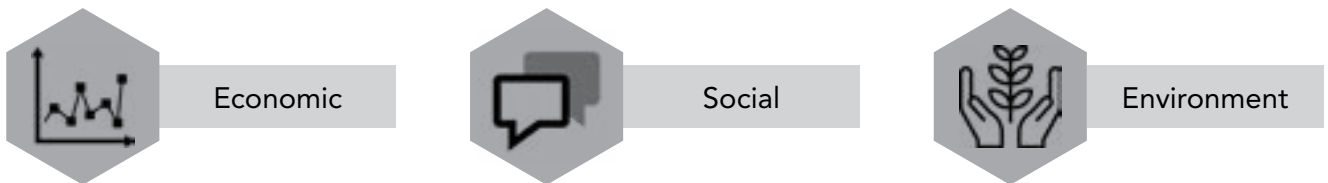
This statement covers the financial year from 1 November 2017 to 31 October 2018 (“FY2018”) for our major subsidiary, Wong Engineering Industries Sdn Bhd, given that this business unit contributes approximately 64% to the Group’s revenue in FY2018.

Governance Structure

At WEC we acknowledge that business operations create sustainability related risks to the economy, environment and society. We therefore, take responsibility to respond to these risks and embed sustainable considerations in our business management. Our sustainability efforts are overseen by our Board of Directors who are charged with driving our sustainability agenda.

The Group’s Enterprise Risk Management (“ERM”) framework under the purview of the Risk Management Committee (“RMC”) provides the necessary structure, targets and reporting systems to address the material risks and opportunities of the Group. The ERM is headed by WEC’s Executive Director while the RMC comprises senior representatives from various departments. On an annual basis, the risk profile is reported to the Board of Directors.

Our key sustainability areas are



1. ECONOMIC Sustainability

The Group is committed to ensure high standards of good corporate governance throughout all levels of the organization and our supply chain by

- Inculcating integrity and professionalism in procurement and supply chain management and to comply with a standard procedure in qualification of vendors.
- Continuously upgrading the technical skills of the supplier quality team to ensure consistency in achieving quality levels that meets customers’ expectations.
- Adhering to the International Organisation for Standardisation (ISO) requirements in relation to our Quality and Environmental Management System;
- 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; and
- Supporting the implementation of the Electronic Industry Citizenship Coalition’s Code of Conduct throughout our supply chain.

2. SOCIAL Sustainability

Community Outreach

As a responsible business entity, WEC not only focuses on the business performance but also strives to fulfil its corporate social responsibility to the local communities, where the Group operates. As part of its commitment to the community where the Group is located, WEC is a member of Kulim Industrial Tenants’ Association (“KITA”) whose vision is to make “Kulim, the ideal community to live and work in”. WEC is also a member of the Kulim Industrial Hi-Tech Park’s Human Resource sub-committee to look after the welfare and safety of employees/employers in the industrial park.

SUSTAINABILITY STATEMENT 2018 (Cont'd)

2. SOCIAL Sustainability (Cont'd)

Community Outreach (Cont'd)

During the year, WEC had organized and participated in community service and social activities such as blood donation campaign and charitable donation to local children's home.



Blood Donation Drive - 14 December 2017

This was held in WEC's premise in collaboration with Kulim Hospital to save lives.



Batu Grace Children Home Charity Drive - 17 August 2018

The Group distributed school bags, electrical items and served the children a scrumptious lunch on a sunny and beautiful day.

In addition, the Group has made several 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.

WEC Student Hosting

During the year, the Group welcomed students from one local and foreign university each to our site for plant tour and knowledge sharing session. The experience is designed to give students and lecturers additional information about the Group and its engineering capabilities, manufacturing processes and technical expertise.



2. SOCIAL Sustainability (Cont'd)

The Workplace (Cont'd)



9 March 2018
Visit by MBA students from University of Texas, Austin,
Texas, USA



18 July 2018
Visit by Technical students from University Kuala
Lumpur

The Workplace

We recognize 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. We are committed to ensure fairness in career opportunities, and give priority to the safety and well-being of our employees in the workplace.

During FY2018, the Group had organized several social activities such as annual dinner, sports events and street food festival to foster greater esprit de corps spirit amongst employees that will contribute to a harmonious working environment. The Group had also organized external and internal trainings, seminars and workshops to upgrade and enhance the skills sets, knowledge and technical expertise of the staff.

Monetary aid for flood victims and appreciation token for the best exam result of employees' children were also given out during the year.



Annual Dinner 2017 - 6 January 2018



SUSTAINABILITY STATEMENT 2018 (Cont'd)

2. SOCIAL Sustainability (Cont'd)

The Workplace (Cont'd)



11 May 2018 – Managing and Handling Chemicals Training



5 July 2018 – First Aid & Fire Evacuation Drill

As part of the initiative to meet the safety standards prescribed under the Occupational Safety and Health Act, we have in place a Safety & Health Policy, a Safety Committee and an Emergency Response Team. Chemical and First Aid trainings including fire drills were conducted to increase awareness and ensure emergency preparedness at all times.






3. ENVIRONMENTAL Sustainability

We are committed to protect and preserve the environment in which we operate through the implementation of an environmental management system. In this respect, the Group is pleased to report that we had been upgraded and certified under ISO 14001:2015 in January 2018 which is the foundation for the Group's Environmental Management System which aims to monitor, control and improve overall environmental performance throughout operations and supply chain.



3. ENVIRONMENTAL Sustainability (Cont'd)

We recognize the impact of our business activities to the environment and we strive to conduct our business operations according to pragmatic principles and sustainable practices comprising five aspects:

Environmental Reporting	Recycling	Wastewater and Solid Water	Materials Restrictions	Energy Consumption
				
<p>All permits, approvals and reporting requirements are obtained, maintained and strictly adhered to according to the law and regulations.</p>	<p>Wastes are identified and segregated for reuse and recycle whenever possible.</p>	<p>Waste generated are managed, treated and disposed according to environmental regulations.</p>	<p>We adhere to all applicable laws, regulations and customer requirements on use of restricted substances in our products.</p>	<p>Energy consumption is tracked and monitored while continuing to explore methods to reduce consumption.</p>

The Group is pleased to report that our business activities have been carried out in a responsible manner and we have complied with all environmental reporting and requirements. Nevertheless, we are continuously looking for ways to improve and further reduce our impacts to the environment.

DIRECTORS' REPORT

for the year ended 31 October 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 October 2018.

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.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	8,677,489	3,482,296
Non-controlling interest	2,543	-
	<u>8,680,032</u>	<u>3,482,296</u>

Reserves and provisions

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

Dividend

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 October 2017 as reported in the Directors' Report of that year:
 - A final single tier dividend of 2.0 sen per ordinary share totalling RM1,830,822 declared on 27 February 2018 and paid on 8 May 2018;
- ii) In respect of the financial year ended 31 October 2018:
 - A first interim single tier dividend of 1.0 sen per ordinary share totalling RM913,187 declared on 26 June 2018 and paid on 18 September 2018.

A final single tier dividend of 1.0 sen per ordinary share has been recommended, in respect of the financial year ended 31 October 2018, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Datuk Haji Muhamad Shapiae Bin Mat Ali	- Independent Non-Executive Chairman
Yong Loy Huat	- Chief Executive Officer
Chang Joo Huat	- Executive Director
Eng Teik Hiang	- Non-Independent Non-Executive Director
Low Seong Chuan	- Executive Director
Lau Chia En	- Independent Non-Executive Director
Anstey Yong Lee Teen	- Executive Director (Appointed on 2 January 2019)

DIRECTORS' REPORT

for the year ended 31 October 2018 (Cont'd)



Directors' interests in shares

The direct 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			
	At 01.11.2017	Bought	(Sold)	At 31.10.2018
Eng Teik Hiang				
Deemed interests in the Company:				
- others *	199,000	-	-	199,000
Yong Loy Huat				
Interests in the Company:				
- own	13,719,000	3,909,100	-	17,628,100
Deemed interests in the Company:				
- others **	4,500,000	1,500,000	(4,500,000)	1,500,000
Low Seong Chuan				
Interests in the Company:				
- own	10,000	-	-	10,000
Chang Joo Huat				
Interests in the Company:				
- own	60,000	-	-	60,000

* Madam Tan Allis is the spouse of Mr. Eng Teik Hiang. In accordance with Companies Act, the interests of Madam Tan Allis in the shares of the Company and of its related corporations shall be regarded as the interests of Mr. Eng Teik Hiang.

** Madam Low Ah Lin and Miss Anstey Yong Lee Teen are the spouse and daughter of Mr. Yong Loy Huat respectively. In accordance with Companies Act, the interests of Madam Low Ah Lin and Miss Anstey Yong Lee Teen in the shares of the Company and of its related corporations shall be regarded as the interests of Mr. Yong Loy Huat. During the financial year, Madam Low Ah Lin has transferred out 3,000,000 units of shares to Mr. Yong Loy Huat and 1,500,000 units of shares to Anstey Yong Lee Teen.

None of the other Directors holding office at 31 October 2018 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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or related corporations or the fixed salary as a full time employee of related corporation) 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

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

DIRECTORS' REPORT

for the year ended 31 October 2018 (Cont'd)

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of insurance cost effected for Directors and officers of the Company is RM11,510.

There was no indemnity given to Directors, officers and auditors 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) all known bad debts have been written off and adequate provision 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 the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, 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, other than the gain on disposal of assets as disclosed in Note 17, the financial performance of the Group and of the Company for the financial year ended 31 October 2018 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event subsequent to financial year end

The details of such event are disclosed in Note 29 to the financial statement.

DIRECTORS' REPORT

for the year ended 31 October 2018 (Cont'd)

Auditors

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

The auditors' remuneration is disclosed in Note 17 to the financial statements.

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

Yong Loy Huat

Director

Eng Teik Hiang

Director

Penang,

Date: 31 January 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 October 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Assets					
Property, plant and equipment	3	36,047,262	38,993,398	-	-
Investment properties	4	507,000	512,250	-	-
Investment in subsidiaries	5	-	-	63,024,853	63,024,853
Deferred tax assets	6	2,699,250	1,547,315	-	-
Total non-current assets		39,253,512	41,052,963	63,024,853	63,024,853
Inventories	7	13,046,571	13,197,528	-	-
Other investments	8	837,000	-	837,000	-
Trade and other receivables	9	12,572,104	10,352,711	18,520	37,093
Current tax assets		316,523	255,135	-	-
Cash and cash equivalents	10	9,185,468	4,588,707	129,180	544,393
Assets classified as held for sale	11	-	2,765,611	-	-
Total current assets		35,957,666	31,159,692	984,700	581,486
Total assets		75,211,178	72,212,655	64,009,553	63,606,339
Equity					
Share capital	12	57,909,068	57,909,068	57,909,068	57,909,068
Reserves	13	7,455,071	1,819,542	4,999,437	4,559,101
Total equity attributable to owners of the Company		65,364,139	59,728,610	62,908,505	62,468,169
Non-controlling interest		49,684	76,541	-	-
Total equity		65,413,823	59,805,151	62,908,505	62,468,169
Liabilities					
Loans and borrowings	14	528,918	1,723,847	-	-
Other payable	15	470,611	926,547	933,721	936,909
Total non-current liabilities		999,529	2,650,394	933,721	936,909
Loans and borrowings	14	699,189	2,296,976	-	-
Current tax liabilities		92,286	365	-	-
Trade and other payables	15	8,006,351	7,459,769	167,327	201,261
Total current liabilities		8,797,826	9,757,110	167,327	201,261
Total liabilities		9,797,355	12,407,504	1,101,048	1,138,170
Total equity and liabilities		75,211,178	72,212,655	64,009,553	63,606,339

The notes on pages 56 to 103 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 October 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	16	60,454,175	42,707,471	4,412,467	1,732,500
Cost of sales		(46,912,451)	(29,760,839)	-	-
Gross profit		13,541,724	12,946,632	4,412,467	1,732,500
Other income		2,610,415	432,304	12,407	8
Distribution expenses		(948,749)	(703,001)	-	-
Administrative expenses		(5,959,933)	(5,671,170)	(403,852)	(422,114)
Other expenses		(747,511)	(670,487)	(537,019)	-
Results from operating activities	17	8,495,946	6,334,278	3,484,003	1,310,394
Finance costs	19	(267,399)	(338,654)	(1,707)	-
Profit before tax		8,228,547	5,995,624	3,482,296	1,310,394
Tax expense	20	451,485	144,521	-	-
Profit for the year representing total comprehensive income for the year		8,680,032	6,140,145	3,482,296	1,310,394
Owners of the Company		8,677,489	6,113,982	3,482,296	1,310,394
Non-controlling interest		2,543	26,163	-	-
Profit for the year representing total comprehensive income for the year		8,680,032	6,140,145	3,482,296	1,310,394
Basic earnings per ordinary share (sen)	21	9.49	6.68		

The notes on pages 56 to 103 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 October 2018

Group	Attributable to owners of the Company		Non-distributable		Total equity RM
	Share capital RM	Share premium RM	Treasury shares RM	(Accumulated losses)/ Retained earnings RM	
At 1 November 2016	45,844,000	12,065,068	(70,379)	(4,224,061)	53,614,628
Profit for the year representing total comprehensive income for the year	-	-	-	6,113,982	6,113,982
Transfer in accordance with Section 618(2) of the Companies Act 2016	12,065,068	(12,065,068)	-	-	-
At 31 October 2017	57,909,068	-	(70,379)	1,889,921	59,728,610
At 1 November 2017	57,909,068	-	(70,379)	1,889,921	59,728,610
Profit for the year representing total comprehensive income for the year	-	-	-	8,677,489	8,677,489
Contributions by and distributions to owners of the Company	-	-	-	-	2,543
- Own shares acquired	-	-	(297,951)	-	(297,951)
- Dividends to owners of the Company (Note 22)	-	-	-	(2,744,009)	(2,744,009)
Total transactions with owners of the Company	-	-	(297,951)	(2,744,009)	(3,041,960)
At 31 October 2018	57,909,068	-	(368,330)	7,823,401	65,364,139

Note 12

Note 13

49,684 (3,071,360) 65,413,823

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 October 2018 (Cont'd)

Company	Attributable to owners of the Company		Distributable		Total equity RM
	Share capital RM	Non-distributable RM	Share premium RM	Retained earnings RM	
At 1 November 2016	45,844,000	12,065,068	(70,379)	3,319,086	61,157,775
Profit for the year representing total comprehensive income for the year	-	-	-	1,310,394	1,310,394
Transfer in accordance with Section 618(2) of the Companies Act 2016	12,065,068	(12,065,068)	-	-	-
At 31 October 2017/1 November 2017	57,909,068	-	(70,379)	4,629,480	62,468,169
Profit for the year representing total comprehensive income for the year	-	-	-	3,482,296	3,482,296
<i>Contributions by and distributions to owners of the Company</i>					
- Own shares acquired	-	-	(297,951)	-	(297,951)
- Dividends to owners of the Company (Note 22)	-	-	-	(2,744,009)	(2,744,009)
Total transactions with owners of the Company	-	-	(297,951)	(2,744,009)	(3,041,960)
At 31 October 2018	57,909,068	-	(368,330)	5,367,767	62,908,505

Note 12

Note 13

The notes on pages 56 to 103 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 October 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities					
Profit before tax from continuing operations		8,228,547	5,995,624	3,482,296	1,310,394
Adjustments for:					
Fair value loss on quoted shares	17	537,019	-	537,019	-
Depreciation of property, plant and equipment	3	4,052,656	4,284,870	-	-
Depreciation of investment properties	4	5,250	51,676	-	-
Interest expense	19	267,399	338,654	1,707	-
Interest income	17	(166,929)	(28,645)	(12,407)	(8)
Gain on disposal of assets	17	(2,284,389)	-	-	-
Plant and equipment written off	17	-	484,368	-	-
Dividend income	17	(11,995)	-	(4,264,459)	(1,550,000)
Operating profit/(loss) before changes in working capital		10,627,558	11,126,547	(255,844)	(239,614)
Changes in working capital:					
Inventories		150,957	(3,453,235)	-	-
Trade and other receivables		(2,219,393)	(2,934,155)	18,573	(17,469)
Trade and other payables		1,251,908	770,526	(37,122)	(19,350)
Cash generated from/(used in) operations		9,811,030	5,509,683	(274,393)	(276,433)
Dividend received		11,995	-	4,264,459	1,550,000
Tax paid		(669,917)	(146,532)	-	-
Net cash from operating activities		9,153,108	5,363,151	3,990,066	1,273,567
Cash flows from investing activities					
Acquisition of plant and equipment	A	(348,880)	(1,093,533)	-	-
Proceeds from disposal of assets		5,050,000	-	-	-
Interest received		166,929	28,645	12,407	8
Additions of other investments		(1,374,019)	-	(1,374,019)	(750,002)
Net cash from/(used in) investing activities		3,494,030	(1,064,888)	(1,361,612)	(749,994)

STATEMENTS OF CASH FLOWS

for the year ended 31 October 2018 (Cont'd)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from financing activities					
Dividends paid		(2,773,409)	-	(2,744,009)	-
Repayment of other payable		(1,161,262)	(677,390)	-	-
(Repayment)/Drawdown of other borrowing		(903,500)	903,500	-	-
Repayment of finance lease liabilities		(2,646,856)	(1,694,022)	-	-
Repurchase of treasury shares		(297,951)	-	(297,951)	-
Interest paid		(267,399)	(338,654)	(1,707)	-
Net cash used in financing activities		(8,050,377)	(1,806,566)	(3,043,667)	-
Net increase/(decrease) in cash and cash equivalents		4,596,761	2,491,697	(415,213)	523,573
Cash and cash equivalents at 1 November 2017/2016		4,588,707	2,097,010	544,393	20,820
Cash and cash equivalents at 31 October	B	9,185,468	4,588,707	129,180	544,393

Notes to statements of cash flows

A. Acquisition of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM1,106,520 (2017: RM2,763,533) of which RM348,880 (2017: RM1,093,533) was paid by cash. The balance of RM757,640 (2017: RM230,000) was financed through finance lease creditor while the remaining sum of RM Nil (2017: RM1,440,000) was under a deferred payment scheme agreed with the machine vendor over the next 3 years period and was 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		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Short term deposits placed with licensed banks	10	4,400,000	881,153	-	-
Cash and bank balances	10	4,785,468	3,707,554	129,180	544,393
		9,185,468	4,588,707	129,180	544,393

The notes on pages 56 to 103 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

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

Registered office

170-09-01 Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

The consolidated financial statements of the Company as at and for the financial year ended 31 October 2018 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 2018 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, provision of general building construction and infrastructure works and provision of property development and related business.

These financial statements were authorised for issue by the Board of Directors on 31 January 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*



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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- 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*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable, in the respective financial years when the abovementioned accounting standards, amendments or interpretations become effective.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

The main standards that are applicable to the Group and the Company, but are not yet effective, and have not been early adopted are as follows:

(i) **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 has assessed the estimated impact that the initial application of MFRS 15 will have on its financial statements. Based on the assessment, the Group does not expect the application of MFRS 15 to have a significant impact on the financial statements.

(ii) **MFRS 9, Financial Instruments**

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

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in FRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its financial statements. Based on the assessment, the Group does not expect the application of MFRS 9 to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(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:-

(i) Note 6 - Deferred tax assets

Estimating the deferred tax assets to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing our ability to utilise tax benefits through future earnings. The actual utilisation of tax benefit may be different from expected.

(ii) Note 7 - Net realisable value of inventories

The management reviews for obsolescence and decline in net realisable value below cost. This review requires judgement and estimates. Possible changes in these estimates could result in revision to the valuation 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) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserves.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(v) 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.

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.

(vi) 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

(a) *Financial assets at fair value through profit or loss*

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.



2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

The Group and the Company categorise financial instruments as follows: (Cont'd)

Financial assets (Cont'd)

(a) **Financial assets at fair value through profit or loss (Cont'd)**

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) **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, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(v) Derecognition (Cont'd)

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 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.

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. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.



2. Significant accounting policies (Cont'd)

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

(iii) Depreciation

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.

(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 statements of financial position.

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) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned or held under a 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 are initially and subsequently measured at cost.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(f) Investment properties (Cont'd)

(i) Investment properties carried at cost (Cont'd)

Cost includes expenditures that are 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 for building is charged to the profit or loss on a straight-line basis over the estimated useful lives of 50 years. 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.

(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.

(g) Inventories

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

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

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

(h) Non-current assets held for sale or distribution to owners

Non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(i) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of trade and other payables in the statement of financial position.



2. Significant accounting policies (Cont'd)

(j) 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.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and 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.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets and non-current assets classified as held for sale) 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

(iv) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(m) 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.

(n) 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.



2. Significant accounting policies (Cont'd)

(o) 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) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the completion of a physical proportion of work-to-date.

(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.

(vi) 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.

(vii) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(p) Borrowing costs (Cont'd)

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.

(q) 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 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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, being tax incentive 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.

(r) Earnings per ordinary share

The Group presents basic 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.

(s) Operating segments

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



2. Significant accounting policies (Cont'd)

(t) Contingencies

(i) 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Property, plant and equipment - Group

	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 2016	5,262,364	31,337,498	57,056,500	14,437,274	2,109,278	50,000	110,252,914
Additions	-	-	2,099,988	328,545	285,000	50,000	2,763,533
Reclassification	-	-	-	100,000	-	(100,000)	-
Write-off	-	-	-	-	(772,927)	-	(772,927)
At 31 October 2017/1 November 2017	5,262,364	31,337,498	59,156,488	14,865,819	1,621,351	-	112,243,520
Additions	-	68,773	443,140	290,207	-	304,400	1,106,520
At 31 October 2018	5,262,364	31,406,271	59,599,628	15,156,026	1,621,351	304,400	113,350,040

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	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 2016							
- Accumulated depreciation	1,739,843	11,789,827	43,338,130	10,923,585	1,110,640	-	68,902,025
- Accumulated impairment loss	-	-	351,786	-	-	-	351,786
	1,739,843	11,789,827	43,689,916	10,923,585	1,110,640	-	69,253,811
Depreciation for the year							
Write-off	87,706	606,796	2,721,419	724,009	144,940	-	4,284,870
	-	-	-	-	(288,559)	-	(288,559)
At 31 October 2017/1 November 2017							
- Accumulated depreciation	1,827,549	12,396,623	46,059,549	11,647,594	967,021	-	72,898,336
- Accumulated impairment loss	-	-	351,786	-	-	-	351,786
	1,827,549	12,396,623	46,411,335	11,647,594	967,021	-	73,250,122
Depreciation for the year							
	87,706	616,031	2,660,164	515,282	173,473	-	4,052,656
At 31 October 2018							
- Accumulated depreciation	1,915,255	13,012,654	48,719,713	12,162,876	1,140,494	-	76,950,992
- Accumulated impairment loss	-	-	351,786	-	-	-	351,786
	1,915,255	13,012,654	49,071,499	12,162,876	1,140,494	-	77,302,778

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	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
Carrying amounts							
At 1 November 2016	3,522,521	19,547,671	13,366,584	3,513,689	998,638	50,000	40,999,103
At 31 October 2017/1 November 2017	3,434,815	18,940,875	12,745,153	3,218,225	654,330	-	38,993,398
At 31 October 2018	3,347,109	18,393,617	10,528,129	2,993,150	480,857	304,400	36,047,262

3.1 Assets under finance lease

Included in the carrying amounts of plant and equipment are assets acquired under finance lease amounting to RM2,149,685 (2017: RM5,112,475).

The leased plant and machinery secures lease obligations (Note 14).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



4. Investment properties - Group

	Note	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 1 November 2016		4,672,561	(1,343,024)	3,329,537
Depreciation for the year		-	(51,676)	(51,676)
Transfer to assets classified as held for sale	11	(4,050,061)	1,284,450	(2,765,611)
At 31 October 2017/1 November 2017		<u>622,500</u>	<u>(110,250)</u>	<u>512,250</u>
Depreciation for the year		-	(5,250)	(5,250)
At 31 October 2018		<u>622,500</u>	<u>(115,500)</u>	<u>507,000</u>

4.1 The carrying amounts are represented by:

	2018 RM	2017 RM
Freehold land	360,000	360,000
Freehold buildings	147,000	152,250
	<u>507,000</u>	<u>512,250</u>

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

	2018 RM	2017 RM
Rental income	48,600	48,600
Direct operating expenses:		
- income generating investment properties	8,354	4,681
- non-income generating investment properties	2,313	43,670
	<u>2,313</u>	<u>43,670</u>

4.3 Leases as lessor

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

4.4 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 2018 is classified as Level 3 of the fair value hierarchy and is determined to be approximately RM978,000 (2017: RM789,000).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Investment properties - Group (Cont'd)

4.4 Fair value (Cont'd)

Estimation uncertainty and key assumptions

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

- The investment properties are valued by an independent external valuer in the last financial year using the comparison approach and cost approach. Comparison method determines the value of the land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Cost method ascertain the value of the property through the summation of the value components of the land and cost of building. The value of land under cost method is adopted as described in the comparison method whilst the cost of the building considers the current estimates on construction costs of similar accommodation, including contractor's overheads, fees and profits. Appropriate adjustments are made for obsolescence and existing physical condition of the building.
- Comparison of the Group's investment properties was made with similar properties that were listed for sale within the same locality or other comparable localities.

5. Investment in subsidiaries - Company

	2018 RM	2017 RM
Unquoted shares, at cost		
At 1 November 2017/2016	68,469,745	67,719,743
Additions	-	750,002
At 31 October	68,469,745	68,469,745
Accumulated impairment losses	(5,444,892)	(5,444,892)
	<u>63,024,853</u>	<u>63,024,853</u>

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2018 %	2017 %
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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

Details of the subsidiaries are as follows: (Cont'd)

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2018 %	2017 %
WEC Marketing Sdn. Bhd.	Trading, marketing and retailing of industrial and consumer products	100	100
Wong Engineering Metals (M) Sdn. Bhd.	Dormant	100	100
WEC Construction Sdn. Bhd.	Provision of general building construction and infrastructure work	100	100
WEC Development Sdn. Bhd.	Yet to commence operations in the provision of property development and related business	100	100
<i>Subsidiaries of Wong Engineering Industries Sdn. Bhd.</i>			
Wong Exerion Precision Technology Sdn. Bhd.	Design, manufacture and supply of complex welded frames structure, related modules and systems	100	100
FWE Global Sdn. Bhd.	Design, manufacture and supply of complex welded frames structure, related modules and systems	51	51

All the above subsidiaries are incorporated in Malaysia.

5.1 Non-controlling interest in a subsidiary

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

	FWE	
	2018 RM	2017 RM
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI	<u>49,684</u>	<u>76,541</u>
Profit allocated to NCI	<u>2,543</u>	<u>26,163</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

5.1 Non-controlling interest in a subsidiary (Cont'd)

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

	2018	FWE	2017
	RM		RM

Summarised financial information before intra-group elimination:

As at 31 October

Current assets	100,844	169,462
Net assets	<u>100,844</u>	<u>169,462</u>

Year ended 31 October

Revenue	51,223	187,477
Profit for the year	5,190	53,394
Total comprehensive income	<u>5,190</u>	<u>53,394</u>
Cash flows from operating activities	8,173	57,876
Cash flows from investing activity	12	9
Cash flows from financing activity	(60,000)	-
Net (decrease)/increase in cash and cash equivalents	<u>(51,815)</u>	<u>57,885</u>
Dividend paid to NCI	<u>(29,400)</u>	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. Deferred tax assets

Recognised deferred tax assets and liabilities

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

Group	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment	-	541,492	(1,851,801)	(1,711,393)	(1,851,801)	(1,169,901)
Tax loss carry-forwards	740,959	273,499	-	-	740,959	273,499
Reinvestment allowances carry-forwards	3,810,092	2,443,717	-	-	3,810,092	2,443,717
Tax assets/(liabilities)	4,551,051	3,258,708	(1,851,801)	(1,711,393)	2,699,250	1,547,315
Set off of tax	(1,851,801)	(1,711,393)	1,851,801	1,711,393	-	-
Net tax assets	2,699,250	1,547,315	-	-	2,699,250	1,547,315

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.

Movements in temporary differences during the year

	At 1.11.2016 RM		Recognised in profit or loss (Note 20) RM		Recognised in profit or loss (Note 20) RM		At 31.10.2018 RM	
	1.11.2016 RM	At 1.11.2016 RM	1.11.2016 RM	At 31.10.2017/ 1.11.2017 RM	1.11.2017 RM	At 31.10.2018 RM	1.11.2017 RM	At 31.10.2018 RM
Property, plant and equipment	94,918	(1,264,819)	(1,264,819)	(1,169,901)	(1,169,901)	(681,900)	(1,851,801)	
Tax loss carry-forwards	-	273,499	273,499	273,499	273,499	467,460	740,959	
Reinvestment allowances carry-forwards	1,311,185	1,132,532	1,132,532	2,443,717	2,443,717	1,366,375	3,810,092	
Other items	(35,103)	35,103	35,103	-	-	-	-	
	1,371,000	176,315	176,315	1,547,315	1,547,315	1,151,935	2,699,250	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. Deferred tax assets (Cont'd)

Unrecognised deferred tax assets

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed reinvestment allowances carry-forwards	11,742,000	20,525,000	-	-
Unutilised tax losses carry-forwards	3,692,000	4,334,000	1,154,000	563,000
Other items	1,511,000	1,561,000	-	-
	16,945,000	26,420,000	1,154,000	563,000

The unabsorbed reinvestment allowances and unutilised tax losses as at financial year end will expire in 7 years time limit under the 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.

7. Inventories - Group

	2018 RM	2017 RM
Raw materials	4,692,134	5,943,990
Work-in-progress	4,710,523	5,084,612
Finished goods	3,643,914	2,168,926
	13,046,571	13,197,528

Recognised in profit or loss:

	2018 RM	2017 RM
Inventories recognised as cost of sales in relation to the Group's precision engineering segment	37,532,252	29,598,889
Write-down to net realisable value	614,466	195,972
Reversal of inventories written down	(357,077)	(129,054)

The write-down and reversal of inventories write-down are included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



8. Other investments

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM

Current

Financial assets at fair value through profit or loss

- Held for trading	837,000	-	837,000	-
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9. Trade and other receivables

	Note	Group		Company	
		2018	2017	2018	2017
		RM	RM	RM	RM

Trade

Trade receivables	11,291,041	9,105,590	-	-
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Non-trade

Amount due from subsidiaries	9.1	-	-	9,074	32,172
Other receivables		403,307	543,589	8,446	3,921
Deposits		112,129	58,932	1,000	1,000
Prepayments		765,627	644,600	-	-
		1,281,063	1,247,121	18,520	37,093
		<u>12,572,104</u>	<u>10,352,711</u>	<u>18,520</u>	<u>37,093</u>

9.1 Amount due from subsidiaries

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

10. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM

Short term deposits placed with licensed banks	4,400,000	881,153	-	-
Cash and bank balances	4,785,468	3,707,554	129,180	544,393
	<u>9,185,468</u>	<u>4,588,707</u>	<u>129,180</u>	<u>544,393</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. Assets classified as held for sale - Group

Non-current assets held for sale comprise the following:

	Note	Freehold land RM	Buildings RM	Total RM
Balance at 1 November 2016		-	-	-
Transfer from investment properties	4	955,000	1,810,611	2,765,611
Balance at 31 October 2017/1 November 2017		955,000	1,810,611	2,765,611
Disposals		(955,000)	(1,810,611)	(2,765,611)
Balance at 31 October 2018		-	-	-

The above properties had been classified as held for sale as the Company had on 25 July 2017 entered into a Sale and Purchase Agreement ("SPA") to dispose of the properties for a total consideration of RM5,050,000, of which a deposit of RM1,010,000 has been collected as at 31 October 2017. The sale of assets was completed in this financial year.

12. Share capital - Group/Company

	← 2018 →		← 2017 →	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares				
Issued and paid up:				
Balance at 1 November 2017/2016	57,909,068	91,688,000	45,844,000	91,688,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 12.2)	-	-	12,065,068	-
Balance at 31 October	57,909,068	91,688,000	57,909,068	91,688,000

12.1 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.

12.2 Share premium

In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Included in share capital is share premium amounting to RM12,065,068 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (twenty-four months from commencement of Section 74).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



13. Reserves

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable:					
Treasury shares	13.1	(368,330)	(70,379)	(368,330)	(70,379)
Distributable:					
Retained earnings		7,823,401	1,889,921	5,367,767	4,629,480
		<u>7,455,071</u>	<u>1,819,542</u>	<u>4,999,437</u>	<u>4,559,101</u>

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

13.1 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 23 March 2018, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhance 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 347,400 (2017: Nil) of its issued ordinary share from the open market. The average price paid for the shares repurchased was RM0.86 (2017: RM Nil) per ordinary share, including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

As of 31 October 2018, the Company repurchased a total of 494,300 (2017: 146,900) of its issued share capital from the open market. The repurchased shares are held as treasury shares and carried at cost. Treasury shares have no rights to voting, dividends and participation in other distribution.

	Group/Company			
	2018		2017	
	Amount RM	Number of shares	Amount RM	Number of shares
Balance at 1 November 2017/2016	70,379	146,900	70,379	146,900
Shares repurchased	297,951	347,400	-	-
Balance at 31 October	<u>368,330</u>	<u>494,300</u>	<u>70,379</u>	<u>146,900</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14. Loans and borrowings - Group

	2018 RM	2017 RM
Non-current		
Finance lease liabilities	<u>528,918</u>	<u>1,723,847</u>
Current		
Finance lease liabilities	699,189	1,393,476
Revolving credits - unsecured	-	903,500
	<u>699,189</u>	<u>2,296,976</u>

14.1 Finance lease liabilities

Finance lease liabilities are payable as follows:

	← 2018 →			← 2017 →		
	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	773,919	74,730	699,189	1,532,698	139,222	1,393,476
Between one and five years	577,145	48,227	528,918	1,848,454	124,607	1,723,847
	<u>1,351,064</u>	<u>122,957</u>	<u>1,228,107</u>	<u>3,381,152</u>	<u>263,829</u>	<u>3,117,323</u>

14.2 Securities

The loans and borrowings are secured by corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



15. Trade and other payables

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Non-current					
Other payable	15.1	470,611	926,547	-	-
Amount due to a subsidiary	15.2	-	-	933,721	936,909
		<u>470,611</u>	<u>926,547</u>	<u>933,721</u>	<u>936,909</u>
Current					
Trade					
Amount due to contract customer	15.4	287,328	-	-	-
Trade payables		5,714,272	3,604,789	-	-
		<u>6,001,600</u>	<u>3,604,789</u>	<u>-</u>	<u>-</u>
Non-trade					
Other payables	15.1	818,689	2,013,778	1,062	1,428
Deposit received	15.3	-	1,010,000	-	-
Accrued expenses		1,186,062	831,202	166,265	199,833
		<u>2,004,751</u>	<u>3,854,980</u>	<u>167,327</u>	<u>201,261</u>
		<u>8,006,351</u>	<u>7,459,769</u>	<u>167,327</u>	<u>201,261</u>
		<u>8,476,962</u>	<u>8,386,316</u>	<u>1,101,048</u>	<u>1,138,170</u>

15.1 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 RM343,303 (2017: RM1,048,629). The balance sum of RM470,611 (2017: RM926,547) owing to the similar machine supplier is not payable within a year and is thus classified as non-current other payable.

15.2 Amount due to a subsidiary

The non-current non-trade amount due to a subsidiary is unsecured, interest-free and is not expected to be repaid within the next 12 months.

15.3 Deposit received

The deposit received was in relation to the disposal of the freehold land and buildings under assets classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Trade and other payables (Cont'd)

15.4 Construction work-in-progress

	2018 RM	2017 RM
Aggregate costs incurred to-date	8,244,632	-
Attributable profits	741,910	-
	<u>8,986,542</u>	<u>-</u>
Less: Progress billings	(9,273,870)	-
	<u>(287,328)</u>	<u>-</u>
Represented by:		
Amount due to contract customer	<u>(287,328)</u>	<u>-</u>

16. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	51,168,310	42,707,471	-	-
Construction contracts	9,273,870	-	-	-
Management fee from subsidiaries	-	-	148,008	182,500
Dividend income	11,995	-	4,264,459	1,550,000
	<u>60,454,175</u>	<u>42,707,471</u>	<u>4,412,467</u>	<u>1,732,500</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



17. Results from operating activities

Results from operating activities are arrived at:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging:				
Auditors' remuneration				
- Audit fees	134,000	114,000	31,000	29,000
- Non-audit fees				
- Other services by KPMG	4,000	7,000	4,000	7,000
Plant and equipment written off	-	484,368	-	-
Rental of buildings	5,680	3,450	-	-
Inventories written off	590,850	95,032	-	-
Personnel expenses (including key management personnel)				
- wages, salaries and others	10,518,219	8,179,133	-	-
- contribution to Employees' Provident Fund	849,291	735,368	-	-
Loss on foreign exchange				
- realised	210,491	-	-	-
- unrealised	-	182,672	-	-
Fair value loss on quoted shares	537,019	-	537,019	-
and after crediting:				
Interest income	166,929	28,645	12,407	8
Dividend income	11,995	-	4,264,459	1,550,000
Gain on disposal of assets	2,284,389	-	-	-
Rental income on premises	80,520	74,490	-	-
Gain on foreign exchange				
- realised	-	319,858	-	-
- unrealised	72,579	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Present Directors:				
Fees	225,000	165,000	225,000	165,000
Remuneration	603,403	460,197	-	-
Other short term employees benefits (including estimated monetary value of benefits-in-kind)	23,391	25,461	12,000	16,500
	851,794	650,658	237,000	181,500
Past Directors:				
Remuneration	-	83,520	-	-
Other short term employees benefits (including estimated monetary value of benefits-in-kind)	-	355,830	-	1,000
	-	439,350	-	1,000
	851,794	1,090,008	237,000	182,500

19. Finance costs - Group

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	1,779	14,916	1,707	-
- finance lease liabilities	265,620	268,652	-	-
- revolving credits	-	55,086	-	-
	267,399	338,654	1,707	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



20. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense				
- Current year	701,847	34,113	-	-
- Prior year	(1,397)	(2,319)	-	-
Total current tax recognised in profit or loss	700,450	31,794	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	(1,032,242)	651,504	-	-
- Prior year	(119,693)	(827,819)	-	-
Total deferred tax recognised in profit or loss	(1,151,935)	(176,315)	-	-
Total tax expense	(451,485)	(144,521)	-	-

Reconciliation of tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	8,228,547	5,995,624	3,482,296	1,310,394
Income tax calculated using Malaysian tax rate of 24%	1,974,851	1,438,950	835,751	314,495
Non-deductible expenses	305,091	259,083	42,923	40,735
Effect of deferred tax assets not recognised	-	-	141,917	16,770
Deferred tax assets recognised	(2,274,509)	(994,686)	-	-
Non-taxable income	(433,137)	-	(1,020,591)	(372,000)
Others	97,308	(17,730)	-	-
Over provision in prior year	(121,089)	(830,138)	-	-
	(451,485)	(144,521)	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Basic earnings per ordinary share - Group

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders of RM8,677,489 (2017: RM6,113,982) and a weighted average number of ordinary shares outstanding, excluding treasury shares held by the Company, calculated as follows:

	2018	2017
Weighted average number of ordinary shares at 1 November 2017/2016	91,541,100	91,541,100
Effect of shares buy back	(71,503)	-
Weighted average number of ordinary shares at 31 October	<u>91,469,597</u>	<u>91,541,100</u>

22. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2018			
Final 2017 single tier	2.0	1,830,822	8 May 2018
First interim 2018 single tier	1.0	913,187	18 September 2018
		<u>2,744,009</u>	

A final single tier dividend of 1.0 sen per ordinary share has been recommended, in respect of the financial year ended 31 October 2018, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The financial statements do not reflect this final single-tier dividend in relation to the financial year ended 31 October 2018, which will be accounted for as an appropriation of the retained earnings in the financial year ending 31 October 2019.

23. Operating segment

The Group has two (2) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the Chief Operating Decision Maker "CODM") reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Precision engineering	The design and manufacture of high precision metal stamped parts and sheet metals
Construction and property development	Provision of general buildings construction and infrastructure work, and provision of property development and related business
Others	Investment holding

Segment assets

Total segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return on assets of each segment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



23. Operating segment (Cont'd)

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

	Precision engineering RM	Construction and property development RM	Others RM	Total RM
Group				
2018				
Segment profit	8,312,193	541,848	(525,024)	8,329,017
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	51,168,310	9,273,870	11,995	60,454,175
Depreciation of property, plant and equipment	(4,051,868)	(788)	-	(4,052,656)
Depreciation of investment properties	(5,250)	-	-	(5,250)
<i>Not included in the measure of segment profit but provided to CODM</i>				
Finance costs	(265,692)	-	(1,707)	(267,399)
Finance income	149,098	5,424	12,407	166,929
Tax expense	584,829	(133,344)	-	451,485
Segment assets	70,979,681	3,255,871	975,626	75,211,178
<i>Included in the measure of segment assets are:</i>				
- Additions to property, plant and equipment	1,102,581	3,939	-	1,106,520

Geographical information

The Group's manufacturing activities are performed in Malaysia while sales are mainly to Asia and Europe apart from domestic sales.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. Operating segment (Cont'd)

Geographical information (Cont'd)

	Revenue RM	Non-current assets RM
2018		
Malaysia	47,265,363	36,554,262
Asia (excluding Malaysia)	5,695,256	-
Europe	6,555,602	-
Others	937,954	-
	60,454,175	36,554,262
2017		
Malaysia	28,133,141	39,505,648
Asia (excluding Malaysia)	5,054,109	-
Europe	8,260,482	-
Others	1,259,739	-
	42,707,471	39,505,648

Major customers

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

	2018 RM	2017 RM	Segment
Customer A	9,273,870	-	Construction and property development
Customer B	9,226,618	7,018,713	Precision engineering
Customer C	9,206,114	-	Precision engineering
Customer D	6,713,016	6,695,087	Precision engineering
Customer E	6,127,659	5,538,573	Precision engineering

24. Financial instruments

24.1 Categories of financial instruments

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

- (a) Loans and receivables ("L&R");
- (b) Financial liabilities measured at amortised cost ("FL"); and
- (c) Financial assets at fair value through profit or loss ("FVTPL").
 - Held for trading ("HFT")

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



24. Financial instruments (Cont'd)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM	FVTPL - HFT RM
2018			
Financial assets			
Group			
Other investments	837,000	-	837,000
Trade and other receivables (excluding prepayments)	11,806,477	11,806,477	-
Cash and cash equivalents	9,185,468	9,185,468	-
	<u>21,828,945</u>	<u>20,991,945</u>	<u>837,000</u>
Company			
Other investments	837,000	-	837,000
Trade and other receivables	18,520	18,520	-
Cash and cash equivalents	129,180	129,180	-
	<u>984,700</u>	<u>147,700</u>	<u>837,000</u>
		Carrying amount RM	FL RM
2018			
Financial liabilities			
Group			
Loans and borrowings		1,228,107	1,228,107
Trade and other payables		8,476,962	8,476,962
		<u>9,705,069</u>	<u>9,705,069</u>
Company			
Trade and other payables		<u>1,101,048</u>	<u>1,101,048</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Financial instruments (Cont'd)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM
2017		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	9,708,111	9,708,111
Cash and cash equivalents	4,588,707	4,588,707
	14,296,818	14,296,818
Company		
Trade and other receivables	37,093	37,093
Cash and cash equivalents	544,393	544,393
	581,486	581,486
	Carrying amount RM	FL RM
2017		
Financial liabilities		
Group		
Loans and borrowings	(4,020,823)	(4,020,823)
Trade and other payables	(8,386,316)	(8,386,316)
	(12,407,139)	(12,407,139)
Company		
Trade and other payables	(1,138,170)	(1,138,170)



24. Financial instruments (Cont'd)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Group				
Net gains/(losses) on:				
Financial assets at fair value through profit or loss				
- Held for trading	(537,019)	-	(537,019)	-
Loans and receivables	66,099	210,304	12,407	8
Financial liabilities measured at amortised cost	(304,481)	(383,127)	(1,707)	-
	<u>(775,401)</u>	<u>(172,823)</u>	<u>(526,319)</u>	<u>8</u>

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.4 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 in place and the exposure to credit risk is monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained and credit evaluations are performed on customers requiring credit over a certain amount.

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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Financial instruments (Cont'd)

24.4 Credit risk (Cont'd)

Receivables (Cont'd)

Exposure to credit risk, credit quality and collateral (Cont'd)

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

	2018 RM	2017 RM
Group		
Domestic	9,608,961	6,340,847
Asia	745,254	943,450
Europe	153,962	1,330,856
Others	782,864	490,437
	11,291,041	9,105,590

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			
2018			
Not past due	8,842,597	-	8,842,597
Past due 1 - 30 days	1,611,400	-	1,611,400
Past due 31 - 60 days	138,404	-	138,404
Past due 61 - 90 days	109,804	-	109,804
Past due more than 90 days	588,836	-	588,836
	11,291,041	-	11,291,041
2017			
Not past due	7,106,442	-	7,106,442
Past due 1 - 30 days	1,062,446	-	1,062,446
Past due 31 - 60 days	462,224	-	462,224
Past due 61 - 90 days	400,701	-	400,701
Past due more than 90 days	73,777	-	73,777
	9,105,590	-	9,105,590



24. Financial instruments (Cont'd)

24.4 Credit risk (Cont'd)

Receivables (Cont'd)

Impairment losses (Cont'd)

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 3 (2017: 3) customers who collectively contributed 47% (2017: 53%) 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.

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 RM1,108,000 (2017: RM4,021,000) 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 statements 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.

24.5 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Financial instruments (Cont'd)

24.5 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
2018						
Group						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	7,663,048	-	7,663,048	7,663,048	-	-
Other payable	813,914	3.18	840,000	360,000	480,000	-
Finance lease liabilities	1,228,107	2.10 - 3.20	1,351,064	773,919	490,907	86,238
	<u>9,705,069</u>		<u>9,854,112</u>	<u>8,796,967</u>	<u>970,907</u>	<u>86,238</u>
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	1,101,048	-	1,101,048	167,327	933,721	-
Financial guarantees	-	-	1,108,000	1,108,000	-	-
	<u>1,101,048</u>		<u>2,209,048</u>	<u>1,275,327</u>	<u>933,721</u>	<u>-</u>

24. Financial instruments (Cont'd)

24.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

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: (Cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2017						
Group						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	6,411,140	-	6,411,140	6,411,140	-	-
Other payable	1,975,176	3.18	2,106,664	1,146,664	480,000	480,000
Finance lease liabilities	3,117,323	2.10 - 4.72	3,381,152	1,532,698	821,012	1,027,442
Revolving credits	903,500	5.66	903,500	903,500	-	-
	<u>12,407,139</u>		<u>12,802,456</u>	<u>9,994,002</u>	<u>1,301,012</u>	<u>1,507,442</u>
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	1,138,170	-	1,138,170	201,261	936,909	-
Financial guarantees	-	-	4,021,000	4,021,000	-	-
	<u>1,138,170</u>		<u>5,159,170</u>	<u>4,222,261</u>	<u>936,909</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Financial instruments (Cont'd)

24.6 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.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency 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

In respect of monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group does not hedge this exposure. However, the Group keeps this policy under review.

Exposure to foreign currency risk

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

	<i>Denominated in USD RM equivalent</i>
Group	
2018	
Trade receivables	2,961,234
Bank balances	419,666
Trade payables	(649,055)
Net exposure	<u>2,731,845</u>
2017	
Trade receivables	4,006,893
Bank balances	780,079
Trade payables	(423,706)
Net exposure	<u>4,363,266</u>



24. Financial instruments (Cont'd)

24.6 Market risk

24.6.1 Currency risk

Currency risk sensitivity analysis

A 5% (2017: 5%) strengthening of the RM against the following currency at the end of the reporting period would have decreased 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.

	Profit or loss	
	2018 RM	2017 RM
Group		
USD	<u>(103,810)</u>	<u>(165,804)</u>

A 5% (2017: 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.

24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows 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.

Exposure to interest rate risk

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

	2018 RM	2017 RM
Group		
Fixed rate instruments		
Financial assets	4,400,000	881,153
Financial liabilities	<u>(2,042,021)</u>	<u>(5,995,999)</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Financial instruments (Cont'd)

24.6 Market risk

24.6.2 Interest rate risk

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 financial 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.

24.7 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 finance lease liabilities.

24. Financial instruments (Cont'd)

24.7 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.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2018										
Financial liabilities										
Other payable	-	-	-	-	-	-	(813,914)	(813,914)	(813,914)	(813,914)
Finance lease liabilities	-	-	-	-	-	-	(1,276,356)	(1,276,356)	(1,276,356)	(1,228,107)
2017										
Financial liabilities										
Other payable	-	-	-	-	-	-	(1,975,176)	(1,975,176)	(1,975,176)	(1,975,176)
Finance lease liabilities	-	-	-	-	-	-	(3,117,000)	(3,117,000)	(3,117,000)	(3,117,323)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Financial instruments (Cont'd)

24.7 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 (2017: 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 values were calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

25. 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.

26. Capital commitment - Group

	2018	2017
	RM	RM
Plant and equipment		
Contracted but not provided for	<u>1,950,000</u>	<u>61,000</u>

27. Contingent liabilities - Company

The Company has given corporate guarantees of RM8,790,000 (2017: RM8,973,000) as security for banking facilities granted to certain subsidiaries of which RM1,108,000 (2017: RM4,021,000) were utilised as at the end of the reporting period.

28. 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 management of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



28. Related parties (Cont'd)

Identity of related parties (Cont'd)

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) The substantial shareholder, TNTT Realty Sdn. Bhd. which holds 32.176% interest in the Company and presumed to exercise significant influence over the Company.
- iii) The subsidiaries of TNTT Realty Sdn. Bhd. and the direct and indirect associates of TNTT Realty Sdn. Bhd..
- iv) The related party, Tajukon Sdn. Bhd. of which a Director has controlling interests.
- v) 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 9 and 15 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash.

- i) Transactions with a company in which a Director has controlling interests

	2018 RM	2017 RM
Group		
Project management fee	861,520	-
Office rental	13,200	-
ii) Transactions with subsidiaries		
Company		
Dividend income	4,252,464	1,550,000
Management fee received	148,008	182,500

- iii) Transactions with key management personnel

There were no transactions with key management personnel other than as disclosed in Note 18 to the financial statements.

29. Significant event subsequent to financial year end

Subsequent to financial year end, the Company completed its bonus issue corporate exercise (the "Bonus Issue") following the listing of and quotation for 22,921,993 new ordinary shares in the Company on the basis of 1 bonus share for every 4 existing shares pursuant to the Bonus Issue on the Main Market of Bursa Malaysia Securities Berhad.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 50 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performances and cash flows for the financial year then ended.

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

Yong Loy Huat

Director

Eng Teik Hiang

Director

Penang,

Date: 31 January 2019

STATUTORY DECLARATION

Pursuant to section 251(1)(b) of the Companies Act 2016

I, Yong Loy Huat, 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 50 to 103 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Yong Loy Huat, NRIC: 540718-01-6085, at George Town in the State of Penang on 31 January 2019

Yong Loy Huat

Before me:

INDEPENDENT AUDITORS' REPORT

to the members of Wong Engineering Corporation Berhad
(Company No. 409959 - W)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wong Engineering Corporation Berhad, which comprise the statements of financial position as at 31 October 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 103.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 October 2018, and of their financial performances and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to the accounting policy in Note 1(d)(ii) Basis of preparation - use of estimates and judgements, and Note 7 - Inventories to the financial statements.

The key audit matter

Raw materials, work-in-progress and finished goods are required to be stated at the lower of cost and net realisable value.

Identifying and determining the appropriate write-down amounts for raw materials, work-in-progress and finished goods require the use of judgement. Factors to consider for write-down by the Directors include among others, overall demand in semiconductors industry, age of the inventories held and the fluctuations in overall metal prices.

This is a key audit matter as the write-down of the inventories is inherently uncertain and Directors' judgement was involved.

How the matter was addressed in our audit

Our audit procedures performed in this area included, among others:

- Inquired the Directors and assessed their process in identifying slow-moving and obsolete inventories;
- Tested whether items in the system generated inventory ageing reports were classified within the appropriate ageing bracket;
- Evaluated the Group's basis of write-down for slow-moving and obsolete inventories as at 31 October 2018 based essentially on the age of the inventory with consideration of consumption history as well as the past and present sales;
- Compared the carrying value of sampled finished goods as at 31 October 2018 to sales made to external customers subsequent to year end to test whether the finished goods were recorded at the lower of costs and net realisable value.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

INDEPENDENT AUDITORS' REPORT

to the members of Wong Engineering Corporation Berhad
(Company No. 409959 - W)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

to the members of Wong Engineering Corporation Berhad
(Company No. 409959 - W)
(Incorporated in Malaysia)



Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Lee Phaik Im
Approval Number: 03177/05/2019 J
Chartered Accountant

Date: 31 January 2019

Penang

LIST OF GROUP PROPERTIES

as at 31 October 2018

Location	Description	Land area/ Built-up Area	Tenure	Age of Building	Carrying amount as at 31 October 2018 RM'000	Date of Acquisition
H.Ss (D) 3237 4766, Lorong Permatang Pauh, Off Jalan Permatang Pauh, 13400 Butterworth, Pulau Pinang	Double Storey Semi-Detached Light Industrial (Factory)	4,523 sq.ft./ 5,949 sq.ft.	Freehold	40 years	438	13/11/96
Lot 24, Jalan Hi-Tech 4, Kulim Hi-Tech Park (Phase 1), 09000 Kulim, Kedah Darul Aman	7 units of Industrial Factories and 1 unit of Office Block	7.759 acres/ 245,483 sq.ft.	60 years lease expiring on 17/3/2056	20 years	21,277	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	15 years	479	19/12/01
4-12A Blk 8, 3-01 & 3-02 Blk 9, R/Pangsa Taman Bagan, Jalan Bagan, 13400 Butterworth, Pulau Pinang	3 units Flats	1,560 sq.ft.	Freehold	27 years	69	13/11/96

SHAREHOLDINGS STATISTICS

as at 25 January 2019

Issued Share Capital	:	114,609,993 Ordinary Shares (including 1,110,000 treasury shares)
Class of Share	:	Ordinary Shares
No. of Shareholders	:	1,531
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	14	0.914	259	0.000
100 - 1,000	70	4.572	31,905	0.028
1,001 - 10,000	837	54.670	3,601,775	3.173
10,001 - 100,000	511	33.376	14,233,500	12.541
100,001 - 5,674,998 (*)	98	6.401	58,998,804	51.981
5,674,999 and above (**)	1	0.065	36,633,750	32.277
Total:	1,531	100.000	113,499,993	100.000

Remark: * - Less than 5% of issued shares

** - 5% and above of issued shares

Substantial Shareholders

Name	No. of Shares Direct	% of Issued Capital	No. of shares Deemed*	% of Issued Capital
TNTT Realty Sdn Bhd	36,678,875	32.32	-	-
Ong Yoong Nyock	5,625,000	4.96	36,678,875*	32.32*
Yong Kwee Lian	-	-	36,678,875*	32.32*
Yong Loy Huat	22,035,125	19.41	-	-

* Deemed interest by virtue of Section 8 of the Companies Act, 2016 held through TNTT Realty Sdn Bhd

Directors' Interest

Name of Director	No. of Shares Direct	% of Issued Capital	No. of shares Deemed*	% of Issued Capital
Datuk Haji Muhamad Shapiae bin Mat Ali	-	-	-	-
Yong Loy Huat	22,035,125	19.41	-	-
Chang Joo Huat	75,000	0.07	-	-
Low Seong Chuan	12,500	0.01	-	-
Eng Teik Hiang	-	-	248,750*	0.22*
Lau Chia En	-	-	-	-
Anstey Yong Lee Teen	1,875,000	1.65	-	-

* Held in the name of spouse and is treated as interest of the Director in accordance with Section 59(1)(c) of the Companies Act 2016.

SHAREHOLDINGS STATISTICS

as at 25 January 2019 (Cont'd)

LIST OF TOP 30 HOLDERS AS AT 25/01/2019

NO	NAME	HOLDINGS	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	36,633,750	32.276
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT (7000875)	5,625,000	4.955
3	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK	5,625,000	4.955
4	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT	4,625,000	4.074
5	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT	4,535,125	3.995
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD YONG LOY HUAT	3,750,000	3.303
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YONG LOY HUAT (M78069)	3,500,000	3.083
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN BOON AIK	2,103,500	1.853
9	ANSTEY YONG LEE TEEN	1,875,000	1.651
10	NG SWEE YING @ NG SOOI YING	1,250,000	1.101
11	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN WEI DE	1,099,900	0.969
12	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG TEIK KAI	984,125	0.867
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PHUA SIN MO	913,750	0.805
14	TAN GUEK HUWA	908,125	0.800
15	WONG QUIN EE, QUEENIE	905,625	0.797
16	TAN PAK NANG	850,000	0.748
17	TAY HONG SING	839,500	0.739
18	RHB NOMINEES (TEMPATAN) SDN BHD RHB ASSET MANAGEMENT SDN BHD FOR LAU JUI CHENG (EPF-SPA)	625,000	0.550
19	WONG KEM CHEW	618,332	0.544
20	TAN CHIN HOCK	508,375	0.447
21	TAN BOON SIANG	499,875	0.440
22	TEO KWEE HOCK	499,875	0.440
23	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	480,000	0.422
24	GAN BOON AIK	475,000	0.418
25	WONG KAM HOOI	448,330	0.395
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG BOON LONG (E-TSA)	437,500	0.385
27	SHIANGLY BUILDER SDN. BHD.	431,250	0.379
28	CHEONG BOON LONG	418,750	0.368
29	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH ENG HUA	400,000	0.352
30	TAN SZE LAN	400,000	0.352



CDS Account No

No. of Shares Held

I/We _____
(Full name in Block Letters and NRIC/Company No.)

of _____ and _____
(Address) (Tel. No.)

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

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

* and/or (*delete if not applicable)

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

as my/our Proxy to vote in my/our name(s) on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at Auditorium Room, Level 1, Lot 204, Jalan Bukit Belimbing 26/38, Off Persiaran Tengku Ampuan, Lion Industrial Park Seksyen 26, 40400 Shah Alam, Selangor on Tuesday, 26 March 2019 at 9:30 a.m. and at any adjournment thereof in the manner indicated below:-

	Ordinary Resolutions										Special Resolution
	1	2	3	4	5	6	7	8	9	10	
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.)

Signed this _____ day of _____, 2019

Signature of Shareholder

Common Seal to be affixed here if Shareholder is a Corporation

Notes:

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint up to 2 proxies to attend and vote at the same meeting. 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.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), the member may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorized nominee defined under the 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 on, if the appointor is a corporation, the Proxy Form 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 Proxy Form duly completed must be deposited at the Registered Office of the Company, 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, 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, a Record of Depositors ("ROD") as at 19 March 2019 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.

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STAMP

The Joint Company Secretaries
WONG ENGINEERING CORPORATION BERHAD (409959-W)
170-09-01, Livingston Tower,
Jalan Argyll,
10050 George Town, Pulau Pinang

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Wong Engineering Corporation Berhad (409959-W)

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