

# **WE** WONG ENGINEERING CORPORATION BERHAD

Registration No.: 199601037606 (409959-W)

齐心一致  
达至顶峰

ONE STEP TOWARDS **GREATER HEIGHT**

**ANNUAL REPORT**

**2019**



## ONE STEP TOWARDS GREATER HEIGHT

As an ever growing diversified corporate entity, Wong Engineering Corporation Berhad unites as one, getting closer to the peak of the mountain. As the visual uses Chinese Ink Painting of Mountain and Water which requires a steady hand and patient, the Company will steadily move towards a great success in the international market. Wong Engineering Corporation Berhad will continuously strengthen their visions, strength and knowledge, be prepared for any upcoming obstacles to achieve a greater excellence.

### CORPORATE VISION

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#### **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

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#### **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-Third Annual General Meeting of **WONG ENGINEERING CORPORATION BERHAD** ("WEC" or "the Company") will be held at Auditorium Room, Level 4, Lot 30462, Jalan Kempas Baru, 81200 Johor Bahru, Johor on Wednesday, 25 March 2020 at 9.30 am for the following purpose:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 October 2019 **Please refer to Note 1** together with the Reports of Directors and Auditors thereon.
2. To approve a final single tier dividend of 1 sen per ordinary share for the financial year ended **Ordinary Resolution 1** 31 October 2019.
3. To approve the payment of Directors' Fees totaling RM300,000 for the period from this Annual **Ordinary Resolution 2** General Meeting ("AGM") until the next AGM in 2021.
4. To approve the payment of benefits payable of up to RM50,000 for the period from this AGM **Ordinary Resolution 3** until the next AGM in 2021.
5. To re-elect the following Directors retiring pursuant to Clause 103 of the Company's Constitution ("Constitution") and being eligible, offer themselves for re-election:
  - a) Datuk Haji Muhamad Shapiae Bin Mat Ali **Ordinary Resolution 4**
  - b) Chang Joo Huat **Ordinary Resolution 5**
6. To re-appoint KPMG PLT as Auditors of the Company until the next AGM of the Company and **Ordinary Resolution 6** to authorize the Directors to fix their remuneration.

### As Special Business

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

7. **Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.** **Ordinary Resolution 7**  
"THAT, subject always to the Companies Act 2016 ("the Act"), the Constitution and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next AGM 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 shall 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 the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation for the additional shares to be issued on Bursa Securities."
8. **Proposed Renewal of Authority to Buy-Back its Own Shares by the Company.** **Ordinary Resolution 8**  
"THAT, subject always to the Act, provisions of the Constitution and the Main Market Listing Requirements of the Bursa Securities ("Listing Requirements") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to purchase ordinary shares in the Company's total number of issued shares ("WEC 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:
  - i) the maximum aggregate number of ordinary shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the WEC Shares for the time being;
  - ii) the maximum amount of fund to be allocated by the Company for the purpose of purchasing the WEC Shares shall not exceed the audited retained profits of RM8,819,040.00 of the Company as at 31 October 2019;
  - iii) the authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue in force until:
    - a) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



## As Special Business (Cont'd)

To consider and if thought fit, to pass, with or without modifications, the following resolutions: (Cont'd)

### 8. Proposed Renewal of Authority to Buy-Back its Own Shares by the Company. (Cont'd) Ordinary Resolution 8

- 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 a 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 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."

### 9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate"). Ordinary Resolution 9

"THAT subject always to the Act, the Constitution, the Listing Requirements and the approvals of the relevant government/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 2020, 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;

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

- a) the conclusion of the next AGM of the Company following this AGM 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 in a general meeting;

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## 9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Ordinary Resolution 9 Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate"). (Cont'd)

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 in accordance with the Act, provisions of the Constitution, the Listing Requirements and any other regulatory authorities, and other relevant approvals."

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

By Order of the Board

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

Penang, 25 February 2020

### Notes:

#### Appointment of Proxy

1. *A proxy must be of full age. A proxy may but need not be a member.*

*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 for holding the meeting PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the member(s).*

2. *A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*

3. *Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than 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.*

4. *Where a member 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 Authorized Nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*

5. *If the appointor is a corporation the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorized.*

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 18 March 2020 and only a Depositor whose name appears on such ROD shall be eligible 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.*



# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## Explanatory Notes: (Cont'd)

3. The proposed **Ordinary Resolution 7**, 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 AGM.

As at the date of this Notice, no new shares have been issued pursuant to the general mandate granted to the Directors at the last AGM held on 26 March 2019 which will lapse at the conclusion of the next AGM.

The renewal of 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 8**, 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 AGM of the Company.
5. The proposed **Ordinary Resolution 9**, 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 2020. 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 the date it 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 and varied by a resolution passed by the shareholders of the Company in a general meeting; whichever is the earliest.

## 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 AGM of the Company.

# NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Twenty-Third 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 2019 will be payable on 8 May 2020 to depositors registered in the Records of Depositors at the close of business on 17 April 2020.

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

- a) shares transferred into the depositor's securities account before 4.30 pm on 17 April 2020 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 2020



# CORPORATE INFORMATION



## Board of Directors

Datuk Haji Muhamad Shapiae Bin Mat Ali	Independent Non-Executive Chairman
Yong Loy Huat	Executive Director & 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)

## Remuneration Committee:

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

## Audit Committee:

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

## Risk Management Committee:

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

## Nomination Committee:

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

## Registered Office:

170-09-01,  
Livingston Tower,  
Jalan Argyll,  
10050 George Town,  
Pulau Pinang, Malaysia.  
Tel: 04-229 4390/04-227 7762  
Fax: 04-226 5860/04-227 5901

## Auditors:

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

## Legal Form and Domicile:

Public Limited Company  
Incorporated and domiciled in  
Malaysia

## Principal Bankers:

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

## Principal Place of Business:

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

## 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

## Stock Exchange Listing:

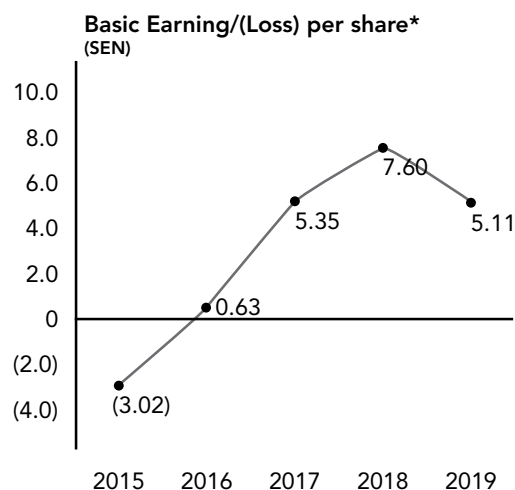
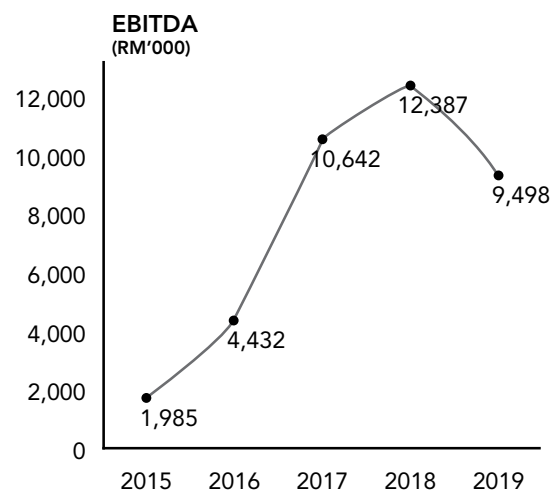
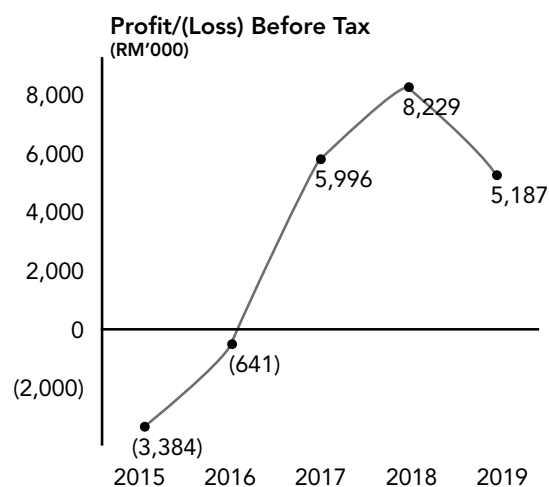
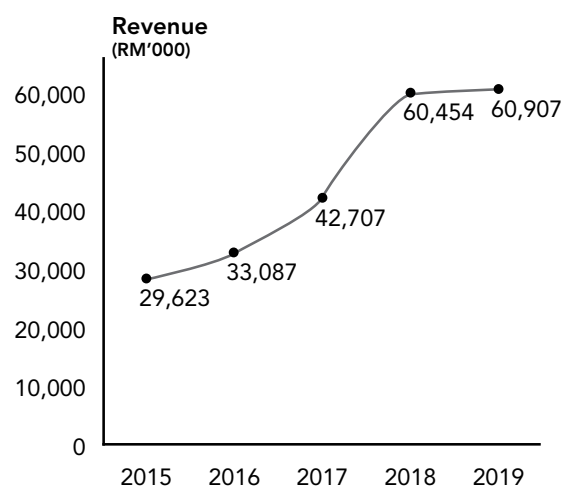
Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name: WONG  
Stock Code: 7050

# FIVE-YEAR FINANCIAL HIGHLIGHTS

		2019	2018	2017	2016	2015
Revenue	RM'000	<b>60,907</b>	60,454	42,707	33,087	29,623
Profit/(Loss) Before Tax	RM'000	<b>5,187</b>	8,229	5,996	(641)	(3,384)
Profit/(Loss) After Tax	RM'000	<b>5,777</b>	8,680	6,140	725	(3,419)
Profit/(Loss) attributable to owners of the Company	RM'000	<b>5,787</b>	8,677	6,114	715	(3,435)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	RM'000	<b>9,498</b>	12,387	10,642	4,432	1,985
No. of shares in issue *	000	<b>113,317</b>	114,170**	114,241**	113,502**	113,647**
Total Equity attributable to owners of the Company	RM'000	<b>68,771</b>	65,364	59,729	53,615	52,902
Total Assets	RM'000	<b>99,147</b>	75,211	72,213	65,115	67,906
Total Liabilities	RM'000	<b>30,337</b>	9,797	12,408	11,450	14,963
Cash & Cash Equivalents (CCE)	RM'000	<b>31,591</b>	9,185	4,589	2,113	661
Basic earnings/(loss) per share *	sen	<b>5.11</b>	7.60**	5.35**	0.63**	(3.02)**
Net assets per share *	RM	<b>0.61</b>	0.57**	0.52**	0.47**	0.47**
Return on Equity (ROE)	%	<b>8.4%</b>	13.3%	10.2%	1.3%	-6.5%
Return on Assets (ROA)	%	<b>5.8%</b>	11.5%	8.5%	1.1%	-5.1%

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

\*\* The comparative figures for No. of shares in issue, Basic earnings/(loss) per share and Net assets per share have been restated to reflect the adjustments arising from the bonus issue completed during the financial year 2019.



# GROUP STRUCTURE AND ACTIVITIES

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



# 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 73, Malaysian, male, was appointed to the Board of Directors ("Board") 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 also sits on the Board of Directors of Tiong Nam Logistics Holdings Berhad as an Independent and Non-Executive Director.

Other than as stated, 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 all four Board meetings held during the financial year ended 31 October 2019.

## Yong Loy Huat

*(Executive Director & Chief Executive Officer / Key Senior Management)*

Mr Yong Loy Huat, aged 66, 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 39 years of professional experience in general construction and property development. As the 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 all four Board meetings held during the financial year ended 31 October 2019.

## Chang Joo Huat

*(Executive Director / Key Senior Management)*

Mr Chang Joo Huat, aged 55, Malaysian, male, joined the Board of WEC on 1 October 2010 as an 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 32 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 all four Board meetings held during the financial year ended 31 October 2019.

# PROFILE OF DIRECTORS (Cont'd)



## Low Seong Chuan

*(Executive Director /  
Key Senior Management)*

Mr Low Seong Chuan, aged 44, Malaysian, male, was appointed to the Board on 16 November 2016.

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

He has been involved in the civil engineering industry for 22 years inclusive of 18 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 all four Board meetings held during the financial year ended 31 October 2019.

## Anstey Yong Lee Teen

*(Executive Director /  
Key Senior Management)*

Ms Anstey Yong Lee Teen, aged 30, Malaysian, female, was appointed as a Senior Manager in WEC Group in 2017. She was appointed as Executive Director on 2 January 2019.

Ms Anstey holds a Bachelor of Science from the Australian National University and a Master of Business in Risk Management 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 was a Finance Analyst with Intel Malaysia for 2 years.

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

She attended all three Board meetings held since her appointment.

## Eng Teik Hiang

*(Non-Independent Non-Executive  
Director)*

Mr Eng Teik Hiang, aged 56, Malaysian, male, was appointed to the Board 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 the 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, Nomination and Risk Management Committees. He attended all four Board meetings held during the financial year ended 31 October 2019.

## Lau Chia En

*(Independent Non-Executive  
Director)*

Mr Lau Chia En, aged 48, Malaysian, male, was appointed to the Board 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 Degree in Business Administration from the University of Wisconsin in 1995.

Mr Lau has been involved in the corporate sector for more than 24 years with at least 18 years spent in corporate finance in investment banking and stock broking environment in Malaysia. His longest stint in investment banking was with MIMB Investment Bank Berhad (now known as Hong Leong Investment Bank Berhad) and Aseambankers Malaysia Bhd (now known as Maybank Investment Bank Berhad). His area of expertise is mergers and acquisitions (M&A), initial public offerings, reverse takeover, and general offer. His last position in a formal outfit was as Head of Corporate Finance at SJ Securities Sdn. Bhd., a securities firm in Malaysia.

He is also an Independent Non-Executive Director of B.I.G. Industries Berhad, a public company listed on the Main Market of 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 Committees. He is also a member of the Nomination Committee. He attended all four Board Meetings held during the financial year ended 31 October 2019.



## PROFILE OF DIRECTORS (Cont'd)

### Notes:

1. Family Relationships with any Director and/or Major Shareholder:

Name of Director	Family Relationships
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. Low Seong Chuan	Brother in-law of Mr Yong Loy Huat
5. Anstey Yong Lee Teen	Daughter of Mr Yong Loy Huat
6. Eng Teik Hiang	None
7. Lau Chia En	None

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

2. There is no other conflict of interest that the Directors have with the Group.
3. There were no convictions for offences other than traffic offences (if any) within the past 5 years.
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*)

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Mr Wong, aged 44, Malaysian, male, was appointed as Sales Director of the Company 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 of the Company.

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

## Narayanamoorthy A/L Arjunan (*Production Manager*)

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Mr Nara, aged 41, Malaysian, male, has been working with WEC Group since 2002. He was appointed as the 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.

## Ong Chong Khim (*Senior Finance Manager*)

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Mr Ong, aged 30, a Malaysian joined WEC on 3 July 2017 as Finance Manager and was promoted to Senior Finance Manager in 2019.

He holds a Bachelor of Commerce in Accounting and Finance from Curtin University in Perth, Australia. He obtained a professional accountancy qualification from CPA Australia in 2016 and is a Chartered Accountant registered with the Malaysian Institute of Accountants ("MIA") since July 2017.

He began his career at Intel Technology Sdn Bhd as Financial Analyst in Shared Services in 2012 and since then has performed multiple roles in Operation Finance as Senior Financial Analyst, assisting in budgets and planning and cost improvement initiatives before leaving to join WEC.

Mr Ong 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 others than traffic offences (if any) within the past 5 years.
4. has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



# CHAIRMAN'S STATEMENT

It is my pleasure, on behalf of the Board of Directors of Wong Engineering Corporation Berhad ("WEC" or "the Company") to present you with the 23rd Annual Report and Audited Financial Statements of WEC and its subsidiaries ("the Group") for the financial year ended 31 October 2019 ("FY2019").

Dear esteemed Shareholders,

FY2019 was a tumultuous year marred by weakened global expansion, ongoing restrictive trade policies and slowdown in industrial production. The International Monetary Fund (IMF) has marked down the global GDP growth to 3.0% due to softening growth and weakening demand from China and broader global trade policies uncertainties affecting East Asian economies. Global trade growth was also further revised down to 1.1% subsequent to multiple downward revisions in prior world economic outlook.

On the home front, IMF projects Malaysia's GDP to expand at 4.5%, 0.2% lower than 2018. Based on the 2020 Economic Outlook published by the Ministry of Finance (MOF), the value of gross exports of manufactured goods was estimated to grow marginally at 0.7% in 2019 as compared to 9.3% in 2018.

Amid the challenging operating environment, the Group kept its focus and persisted to drive more value creation and fulfilling customers' expectation and demand. The Group attained revenue of RM60.9 million and profit before tax of RM5.2 million. At the same time, the Group recorded earnings before interest, taxes, depreciation and amortization (EBITDA) of RM9.5 million and generated RM9.9 million net cash from operation. The Group' Manufacturing segment was the primary revenue contributor although its performance was weaker compared to the year before. This was largely attributable to the global trade policies uncertainty and a slowdown in customer demand observed in the first half of the financial year.

As we anticipate the situation to recover and in keeping with competition and our peers, the Manufacturing division invested RM3.7 million during the financial year and a further RM1.7 million of capital acquisition has been contracted for but not provided yet in the financial statements. These capital investments are focused on enhancing our capacity and capabilities through newer and more efficient machines as well as upgrades to our manufacturing plant and facility as we venture into new market and expand into higher value-added activities in the supply chain.

On top of that, the Group is also committed towards adoption of Industry 4.0 and Smart Factory with the deployment of our Manufacturing Execution System (MES) boosting our capabilities in fulfilling customer orders, managing new projects as well as big data analytics to drive further efficiency in areas of yield and quality management.

For Construction & Property Development (PD) segment, its higher revenue and profits have positively contributed to the Group's result and helped cushion impact of the weaker performance from Manufacturing. We intend to grow this segment and will cautiously seek out new opportunities notwithstanding the elevating property overhang in both residential and non-residential subsector.

As the new fiscal year gets underway, IMF projects a modest pickup in global growth for 2020 at 3.4% relying a large extent on the healthy performance of emerging market and developing economies (EMDEs). Likewise, global trade growth too is projected to recover to 3.2% premised on a gradual pickup in investment demand in EMDEs offsetting the slowdown in capital spending in advanced economies. Looking ahead, market condition remains highly volatile and may deteriorate further due to fears arising from the outbreak of Covid-19 virus. Depending on the severity and duration of the outbreak and barring any other unforeseen circumstances, we are cautiously optimistic of the Group's prospects in the near future as we forged a resilient path to growth and success. With that, I seize this opportunity to extend my heartfelt thanks to the Board of Directors, management, and all employees of the Group for their unwavering commitment and passion. I would like to also express our sincere appreciation to our customers, financial institutions, business associates and the regulatory bodies for their support. Last but not least, we are thankful to all our valued shareholders for your continuous trust in WEC.

**Datuk Haji Muhamad Shapiae Bin Mat Ali**  
Independent Non-Executive Chairman  
25 February 2020

# 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.

The 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 and growing, 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.

Apart from our manufacturing business, we have also ventured into construction and property development ("PD") since 2017 as part of our diversification strategy. This 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

The Group achieved record revenue of RM60.9 million, up RM0.4 million (1%) as compared to RM60.5 million in FY2018 despite the headwinds and challenges. Our core Manufacturing segment continues to be the leading revenue contributor raking in RM46.6 million in FY2019 despite dropping by RM4.6 million (down 9%) as compared to RM51.2 million in FY2018. This was largely due to supply chain inventory build-up coming in from late 2018 moving into early 2019 due in part to the trade policies uncertainties impacting customer demands particularly in first half of the financial year. Nevertheless, revenue has gradually improved over the second half of the financial year as orders and demand from key multinational customers steadily recover.

For Construction and PD, the segment attained revenue of RM14.2 million, RM4.9 million higher (up 53%) as compared to RM9.3 million in FY2018. The revenue increase is driven by the progress of work completion of our Kuchai Lama project. We anticipate the pace of work completion to pick up in the near term with the project completion date extended to November 2020.

Excluding RM2.3 million of one-off gain realised in FY2018 from the disposal of a vacant property, the Group's profit before taxation (PBT) of RM5.2 million is RM0.7 million lesser (down 12%) against RM8.2 million reported in FY2018. This was largely attributed to lower sales from Manufacturing which resulted in lower factory utilization and higher cost absorption offset by higher profit from Construction due to lower cost of materials and other cost saving initiatives as well as gains from other investments.

Over the course of FY2019, the Group has invested RM3.7 million and committed a further RM1.7 million in capital acquisition involving machine purchases and upgrades to our manufacturing facility as well as the setup of a class 10K cleanroom to cater to higher value-added activities in the supply chain. Additionally, our Manufacturing operation has also greatly benefited from the successful deployment of our Manufacturing Execution System (MES) which was started the year before, enabling the team to have greater capabilities in managing and fulfilling customer orders, new projects and further improvements via data analytics in lean manufacturing such as in areas of yield and quality management.

Our balance sheet remains healthy as at 31 October 2019 with total equity attributable to shareholders of WEC growing from RM65.4 million to RM68.8 million.

## ANTICIPATED OR KNOWN RISKS

### Foreign exchange risk

Our core manufacturing segment is exposed to risks of currency fluctuation as it has transactions in, amongst others in United States Dollars ("USD"), Euro, Japanese Yen and Singapore Dollar. The USD/RM rate is the primary driver of the Group's currency risk as its exposure to other currencies is minimal. Nevertheless, the Group benefits from some natural hedge in its operation as part of its purchases are denominated in USD.

### Operation, competition and business risks

Some generic business risk that are inherent within the industry may affect the Group such as increased competition over pricing, fluctuation of raw material prices, labour and material shortages and revision of electricity tariffs. Management monitors such risks closely and is constantly devising new and alternative strategies to minimise the impact, if any, to the Group's top and bottom line and its operation.

# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

## ANTICIPATED OR KNOWN RISKS (Cont'd)

### Political, economic and regulatory risk

The Group could also be affected by impacts due to economic uncertainty and issues such as escalating trade war tensions which 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 cost of operation and compliance cost.

## PROSPECTS

Moving forward into FY2020, the Group will continue to explore new opportunities for growth and expansion despite being highly cognizant over the ever-evolving external market risk. We remain optimistic about our Manufacturing segment prospects for the years to come, as demand for E&E products is expected to grow driven by factors such as 5G implementation, cloud computing, smart devices and implementation of Industry 4.0.

As for construction and PD, the Group will work to intensify its focus on 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.

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.

## DIVIDEND

In line with the Group's performance and as recognition for the continuous support by our loyal shareholders, the Board of Directors has proposed and declared a total of 1.5 sen dividend for the financial year ended 31 October 2019. The first interim single tier dividend of 0.5 sen amounting to RM0.6 million was paid in September 2019 while the proposed final single tier dividend of 1.0 sen will be subject to shareholders' approval at the forthcoming AGM in March 2020. The Board is of the view that the recommended dividends provide an adequate balance between rewarding the shareholders and investors with appropriate returns while retaining sufficient profits to sustain growth in the future.

# 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 Company and its subsidiaries (“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 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 2019 (“FY2019”) and up to the date of this Overview Statement. This Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) with guidance drawn from Practice Note 9 of MMLR 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](http://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 MMLR 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 Board Committees lies with the Board. The TOR of the Board Committees are published on the corporate website at [www.wec.com.my](http://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](http://www.wec.com.my).

On 12 December 2019, the Board has approved the Annual Budget for FY2020, 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 FY2020. 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.

# 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

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 ensuring that appropriate issues are discussed by the Board accordingly.

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 is 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 Chief Executive Officer ("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 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 briefed 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(s)

The Company Secretaries are competent, qualified and capable of providing the needful support to the Board in discharging its fiduciary duties. The Constitution 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 Secretaries included 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 Secretary who is responsible for ensuring that all Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also acts as the Company Secretary for most of the Board Committees.

# 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)

##### 1.5. 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 the 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 roles, powers, duties and functions. The Board Charter had been revised on 19 December 2018 to enhance governance practices on the Board in line with recommendations from the Code and the MMLR.

The TORs will be reviewed where necessary to enhance governance practices in line with the Code and the MMLR. Other policies will be reviewed from time to time to ensure its relevance.

The Board Charter will be reviewed every 2 years or as and when necessary.

The Board Charter is available on the Company's corporate website at [www.wec.com.my](http://www.wec.com.my).

#### 3. Good business conduct and corporate culture

##### 3.1. Code of Ethics & Conduct

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

There is 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 commitments.

The Company also has 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.

More information on the Ethics Policy and Code of Conduct are available on the Company's corporate website at [www.wec.com.my](http://www.wec.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### Part I: Board Responsibilities (Cont'd)

#### 3. Good business conduct and corporate culture (Cont'd)

##### 3.2. Whistleblowing policy

The Board had adopted a Whistleblowing Policy. 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](http://www.wec.com.my).

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

Brief profile of each Director is detailed under 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 MMLR 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 MMLR. 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 at least 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. The INEDs currently formed more than one-third of the Board composition.

Therefore, the lack of the necessary number of INEDs does not jeopardise the independence of Board 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 Non-INED. As at to-date, none of the INEDs have served on the Board for a cumulative or consecutive term of nine (9) years.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

### Part II: Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.2. Tenure of Independent Director (Cont'd)

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.

##### 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 AGM.

If the Board continues to retain the Director as INED after 12 years, the Board will justify their decision and seek shareholders' approval at AGM through a two-tier voting process.

##### 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 was appointed as Executive Director on 2 January 2019. An assessment of her candidacy was carried out by the NC. Her candidacy was an internal search and integral part of the executive Board members' succession planning to groom new leaders for the Group going forward.

The NC has leveraged on the Directors' wide network of professional and business contacts in their current search for new female director. The NC is also open to utilise a variety of approaches and independent sources to identify suitably qualified candidate(s) for consideration as a Director and will ensure that the procedures for evaluating and selecting new Director are transparent and formal with the appointment made on merit basis.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### Part II: Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.7. Nomination Committee

The Nomination Committee, comprises solely NEDs with its present composition 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 on as and when needed basis. The NC chose to meet post financial year to evaluate the performance of Directors for the immediate past financial year.

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

- (a) assessed the effectiveness of the Board, the Board Committees and the contribution of each individual Director;
- (b) reviewed the mix of skills and experience and other qualities, including core competence of the members of the Board;
- (c) reviewed the level of independence of Independent Directors;
- (d) assessed the training needs of the Directors and collated training information from all Directors;
- (e) reviewed the size and composition of the Board of Directors as well as the Audit, Nomination and Remuneration Committees;
- (f) 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;
- (g) 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
- (h) reviewed the terms of office and performance of the Audit Committee and its members pursuant to paragraph 15.20 of the Main Market Listing Requirements of Bursa Securities.

The TOR of the Nomination Committee is available on the corporate website at [www.wec.com.my](http://www.wec.com.my).

#### 5. Board objectivity

##### 5.1. Overall effectiveness of the Board and individual Directors

The Constitution 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 at least in three (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.

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

During the FY2019, 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.

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 Executive Director & 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 (Appointed w.e.f. 2 January 2019) Executive Director	3/3

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 the Directors do not hold more than 5 directorships as required under paragraph 15.06 of the MMLR of Bursa Securities.

The Board is cognisant 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").

# 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 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.

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	Fire Fighting and Chemical Spillage Training	27 November 2018
	Fire Fighting and Chemical Spillage Training	1-2 December 2018
	Risk Management Refresher Training	14 August 2019
Yong Loy Huat	Fire Fighting and Chemical Spillage Training	27 November 2018
	Fire Fighting and Chemical Spillage Training	1-2 December 2018
	Risk Management Refresher Training	14 August 2019
Chang Joo Huat	Fire Fighting and Chemical Spillage Training	27 November 2018
	Fire Fighting and Chemical Spillage Training	1-2 December 2018
	Industry 4.0-11 Technology Pillars & Steps to Achieve Them	24-25 April 2019
	Risk Management Refresher Training	14 August 2019
	Navigating Corporate Liability	13 September 2019
Anstey Yong Lee Teen	Fire Fighting and Chemical Spillage Training	1-2 December 2018
	Mandatory Accreditation Programme	28 February – 1 March 2019
	Sustainability Reporting Workshops	4 – 5 March 2019
	Corruption & Bribery: How Ready is Your Organization to Safeguard its Directors and Management Against Prosecution?	19 July 2019
	Risk Management Refresher Training	14 August 2019
	Technical Briefing for Company Secretaries of Listed Issuers	20 September 2019
Low Seong Chuan	Case Study Workshop for Independent Directors	18 April 2019
	Contractors Integrity & Code of Ethics Course	4 September 2019
	Technical Talk on BIM for Construction Project Manager: The Way Forward	11 May 2019
	Pre AGM Talk "Low Carbon Power Generation Options"	6 July 2019
	5 <sup>th</sup> Annual General Meeting of the Seniors Special Interest Group (SSIG), IEM	6 July 2019
	Pre AGM Talk on "Analysis and Design of a Prestressed Concrete Girder Bridge"	13 July 2019
	33 <sup>rd</sup> AGM of the Civil and Structural Engineering Technical Division, IEM	13 July 2019
	Evening Talk on Experimental Investigation, Analysis and Design of Pile Foundations	31 July 2019
	Talk on "Building Information Modelling"	1 August 2019

# 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)

Director(s)	Seminar / Workshop / Course	Date
	Pre AGM Talk on "Technological Innovation – Engineer for Future"	3 August 2019
	23 <sup>rd</sup> AGM of Engineering Education Technical Division (E2TD), IEM	3 August 2019
Eng Teik Hiang	Fire Fighting and Chemical Spillage Training	1-2 December 2018
	Risk Management Refresher Training	14 August 2019
Lau Chia En	Powertalk: Revisiting the Misconception of Board Remuneration	13 March 2019
	Risk Management Briefing and Workshop	10 October 2019
	Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009	4 November 2019

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 training to enhance financial literacy and keep up with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of any other related laws.

The Company facilitates the organisation of training programs for Directors and maintain 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 to 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 discussion and decisions pertaining to their remuneration.

##### 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](http://www.wec.com.my).

# 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 (Cont'd)

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

- (a) 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; and
- (b) Discussed and recommended Directors' Fees and benefits payable to Directors under Section 230 of the Companies Act 2016.

#### 7. Remuneration of Directors and Senior Management

##### 7.1. Details of Directors' remuneration

The remuneration payable in respect of Directors' fees for FY2019 and FY2020 are categorised as follows:

Type of Fees	FY2019 (RM)	FY2020 (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 FY2019 is as disclosed in the CG Report.

##### 7.2. Details of top 5 Senior Management's remuneration

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.

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

The Board is aware of the need for transparency in the disclosure of its senior management remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could give rise to recruitment and talent retention issues going forward.

The Board ensures that the remuneration of the Senior Management personnel commensurate with the level of responsibilities, with due consideration in attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration payout is not made to the Senior Management personnel in any instance.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Part I: Audit Committee

#### 8. Effective and independent Audit Committee

##### 8.1. Chairman of the Audit Committee

The Audit Committee is chaired by Mr Lau Chia En (an INED), who is distinct from the Chairman of the Board. 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. Hence, no former key audit partner is appointed to the Audit Committee. 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 met 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 FY2019 was the review of 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 comprised 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 are 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 (Cont'd)

#### 9. Effective risk management and internal control framework (Cont'd)

##### 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 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



## 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 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.

The Group maintains a website at [www.wec.com.my](http://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 any queries raised.

The notice of the 22<sup>nd</sup> AGM held in 2019 was sent twenty-eight (28) days before meeting date to shareholders and 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 22<sup>nd</sup> 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.

The notice for the upcoming AGM in 2020 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 Directors attended the 22<sup>nd</sup> AGM held on 26 March 2019.

##### 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 2020.

# 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 system of Wong Engineering Corporation Berhad and its subsidiaries ("The Group"). 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](http://www.wec.com.my).

## Composition, Meeting And Attendance

The present AC comprised 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 AC Chairman fulfills such other requirements as prescribed by Bursa on the composition of the AC as he holds a Master Degree in Business Administration and has over 18 years of experience in the corporate finance in investment banking and stock broking environment in Malaysia.

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 2019 ("FY2019"), 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 Group.

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.

# AUDIT COMMITTEE REPORT (Cont'd)

## Summary Of Activities During The Financial Year

The main activities undertaken by the AC during FY2019 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.

### 2. Internal Audit ("IA")

- (a) Reviewed and approved the annual IA plan for FY2019.
- (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 FY2019 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 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 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 FY2019, the Audit Committee recommended the re-appointment of KPMG PLT.

### 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 2019.
- (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.

# AUDIT COMMITTEE REPORT (Cont'd)



## 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, Finfield Corporate Services Sdn. Bhd. ("Finfield") 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 RM15,997.00.

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 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.

Finfield took the risk based approach in planning the Internal Audit Plan for the approval of the AC.

During FY2019, the internal audit function carried out 2 cycles of internal audits to test the adequacy and effectiveness of the internal control system for information technology and inventory management.

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 2020.

# 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 2019. This Statement is prepared pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## 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 SORMIC: 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.

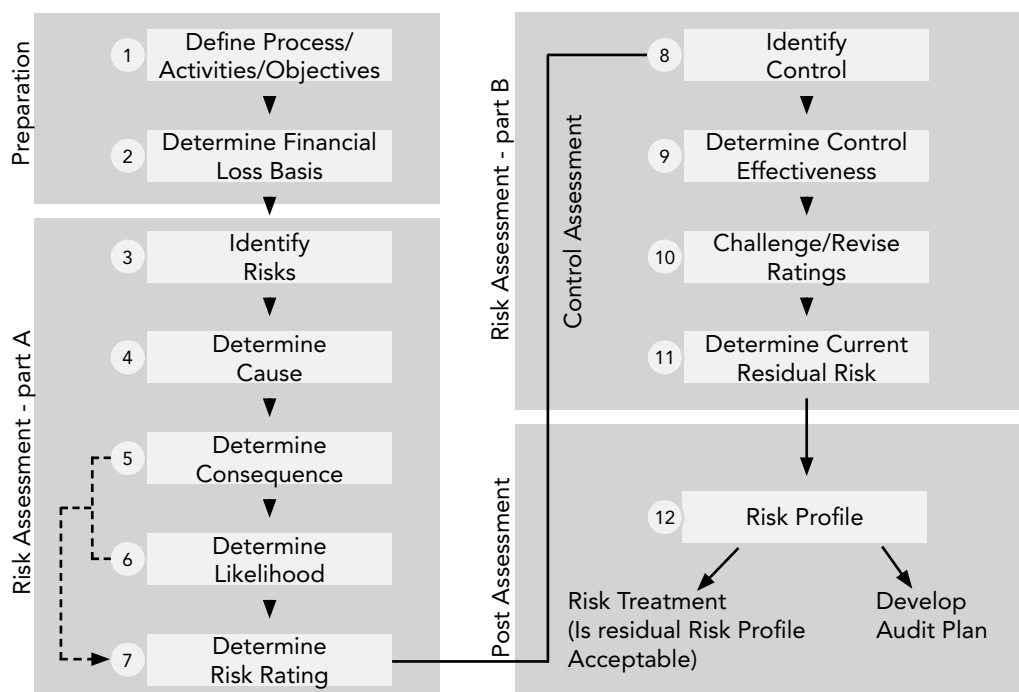
## Risk Management Framework

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.

Operational wise, several Risk Management Working Group (“RMWG”) is established and members of the RMWG mainly consist of Head of Department within the group. In terms of frequencies, the RMWG 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.

The RMC is required to identify major business and compliance risks concerning the respective business units, oversees and ensures integration of risk management into their 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.





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



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, communicating the key risks to the Board, (b) formalization of policy and procedures to outline the risk management framework for the Group, (c) to identify principal risk faced by operating units, (d) to articulate the Group's risk appetite and parameters, both qualitative and quantitative, (e) appointing a risk committee to coordinate the risk management activities within the Group and (f) to supervise 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 audit plan 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 year under review, two cycles of internal audit were carried out for Wong Engineering Corporation Berhad, as follows:

- (1) Information technology
- (2) Inventory management

The costs incurred for the internal audit function for the financial year ended 31 October 2019 amounted to RM15,997.00.

## **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 emphasized through continuous training and regular performance evaluation.
- Regular operation and management meetings were held to discuss the financial and operational matters to ensure proper control in all facets.
- The Group uses the SAP system in its operations and financial reporting. The control features embedded in the system enhance the control environment of the Group.

# 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 2019 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 2019.

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

Details of the RRPT transacted during the financial year ended 31 October 2019 pursuant to the shareholders' mandate obtained by the Company at the AGM held on 26 March 2019 are as tabulated below. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 25 February 2019.

Provider of goods and services	Recipient of goods and services	Nature of transaction	Actual value transacted # (RM)	Related parties
Tajukon Sdn. Bhd. ("Tajukon")	WEC Construction Sdn. Bhd.	Project management services 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.	1,539,120	Yong Loy Huat ("YLH") is the Chief Executive Officer and major shareholder of WEC. YLH is also a Director and major shareholder of Tajukon.
		Rental of cranes, formworks, machineries and equipment to facilitate the operational works.	335,800	Yong Kwee Lian ("YKL"), a Director and major shareholder of Tajukon, is the sister of YLH.
		Rental of office space located at No. 31-4, Tingkat 3, Jalan SP 2/2, Taman Serdang Perdana Seksyen 2, 43300 Seri Kembangan, Selangor	14,400	Low Siong Chan, a Director and substantial shareholder of Tajukon is the brother-in-law of YLH and the brother of Low Seong Chuan.

Note:

# The actual value transacted during the financial year ended 31 October 2019.

# 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 Malaysia Securities Berhad ("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 2019 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 2019, 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 2019



Wong Engineering Corporation Berhad (“WEC” or “the Company”) recognizes the importance of sustainability as a key driver for long-term business sustainable growth of WEC and its subsidiaries (“the Group”). As such, the Board of Directors and management persistently reinforce embedding sustainability into our business strategies and operations to achieve goals of the Group.

This Sustainability Statement is made pursuant to paragraph 9.25 and Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) with guidance drawn from Practice Note 9 of MMLR and the Sustainability Reporting Guide (2nd edition) issued by Bursa Securities.

The scope of this Statement covers the period from 1 November 2018 to 31 October 2019 (“FY2019”) for the three (3) subsidiaries, Wong Engineering Electronics Sdn. Bhd. (“WEE”), Wong Engineering Industries Sdn. Bhd. (“WEI”) and WEC Construction Sdn. Bhd. (“WECC”), given that these three (3) subsidiaries contribute approximately 95% of the Group’s total revenue.

## 1. Sustainability Governance Structure

Although our Group has not formed a separate Sustainability Committee as at the date of this report, our sustainability efforts are overseen by our Board of Directors who are charged with driving our sustainability agenda.

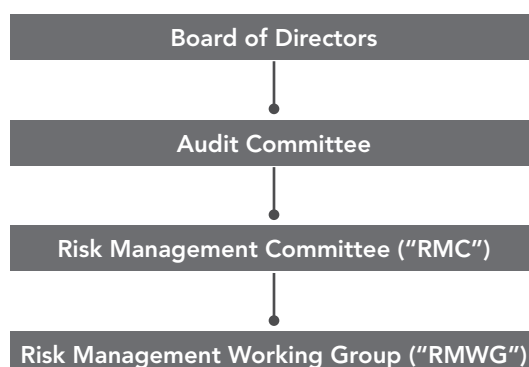
The Group’s Enterprise Risk Management (“ERM”) framework under the purview of the Risk Management Committee (“RMC”) provides the necessary structure, targets and reporting systems to address the material risks and opportunities of the Group. Our RMC is chaired by Mr. Chang Joo Huat, an Executive Director who has more than 32 years of experience in manufacturing industry.

We believe that for a company with strong corporate governance culture, we should bring the Group’s governance framework down to the level of roles, responsibilities, reporting lines, and communications to bridge the gap between our governance framework and operational realities.

Accordingly, in FY2019, the Group has engaged an independent professional consulting firm to facilitate our existing Enterprise Risk Management process, including but not limited to formation of the Risk Management Working Group (“RMWG”). The RMWG consists of 16 members, they are Senior Management, all Heads of Department from various departments within the Group and Internal Auditors. The sustainability strategies are carried out by RMC and RMWG, they are responsible for identifying, implementing and managing the sustainability action across the Group. The sustainability efforts are focused on the three (3) key areas:

- a. Economic
- b. Environment
- c. Social

After formation of our RMWG, the reporting line is as follows:



# SUSTAINABILITY STATEMENT 2019 (Cont'd)

## 2. Stakeholder Engagement

We understand that stakeholder engagement is vital for the success of our business. Hence, we value stakeholders' needs and expectations in relation to WEC's sustainability performance. The following table is the summary of the stakeholder group, areas of concern, and the type of engagement, its frequency and our goals:

Stakeholder	Areas of concern	Type of engagement	Frequency	Our goals
<b>Employees</b> (They are WEC's important assets, who carry out the daily operations of WEC and ensuring the efficiency of the Group)	<ul style="list-style-type: none"> <li>Safety and health</li> <li>Training and development</li> <li>Fair compensation</li> <li>Employee benefits</li> <li>Equal Employment</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Feedback sessions and annual performance appraisal</li> <li>Trainings, talks and campaigns</li> <li>Employees' e-Portal</li> <li>Equal Employment policy</li> <li>Ethics policy</li> <li>Whistleblowing policy</li> <li>Employee handbook</li> <li>Other employee engagement activities (such as festive celebration and volunteering works)</li> </ul>	On-going/ Annually	<ul style="list-style-type: none"> <li>To provide a safe and healthy workplace with good welfare and equal employment opportunities.</li> <li>To retain top performers and attract new talent.</li> </ul>
<b>Shareholders</b> (Owners of WEC)	<ul style="list-style-type: none"> <li>Financial / Business performance review</li> <li>Operation in compliance with relevant laws and regulations</li> <li>Shareholder value (dividend and capital gain)</li> <li>Strategic plans</li> <li>Sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>Annual Reports</li> <li>Annual / Extraordinary General meetings</li> <li>Public announcements</li> <li>Corporate website</li> <li>Quarterly financial reports</li> </ul>	Quarterly/ Annually/ On-going	To provide reliable and up-to-date disclosures on WEC's material information, to maximise the shareholders relationship with WEC.
<b>Customers</b> (They are the foundation of business' success of WEC)	<ul style="list-style-type: none"> <li>Reliable and quality products</li> <li>Stable supply chain</li> <li>Sustaining long-term relationship</li> <li>Competitive pricing</li> <li>Safety and security</li> </ul>	<ul style="list-style-type: none"> <li>Website and social media</li> <li>Regular On-site visits</li> <li>Meetings</li> <li>Ethical practices</li> <li>Customer Satisfaction Survey form</li> </ul>	Annually/ On-going	To enhance customer's loyalty and to build long-term sustainable relationships with customers.
<b>Suppliers</b> (They are persons / businesses who provide quality products or services to WEC)	<ul style="list-style-type: none"> <li>Sustaining long-term relationship</li> <li>Payment schedule</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Regular On-site visits</li> <li>Meetings</li> <li>Transparent procurement process</li> <li>Ethical practices</li> <li>Vendor evaluation procedure</li> </ul>	Annually/ On-going	To build lasting relationship with suppliers
<b>Regulators</b> (They stipulate and enforce the rules and regulations in the markets where WEC operates)	<ul style="list-style-type: none"> <li>Compliance with relevant rules and regulations.</li> <li>Support country's economy growth.</li> </ul>	<ul style="list-style-type: none"> <li>Participate in training programme organised by government bodies.</li> <li>Inspections / Inquiries by authorities.</li> </ul>	On-going	To comply with all relevant rules and regulations



## 2. Stakeholder Engagement (Cont'd)

Stakeholder	Areas of concern	Type of engagement	Frequency	Our goals
<b>Community</b> (Local communities include people who reside in the location where WEC operates)	<ul style="list-style-type: none"> <li>Sustainability and Corporate Social Responsibility ("CSR") programmes</li> <li>Environment protection</li> <li>Job opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Donation and sponsorship</li> <li>Participate in CSR programmes</li> <li>Industrial membership</li> <li>Creation of employment</li> </ul>	On-going	To fulfil WEC's responsibility as a responsible corporate citizen

## 3. Materiality Assessment

The Group has identified sustainability matters which are considered material to our operations. The material sustainability matters are managed and categorised into three (3) aspects as follows:

- a. economic;
- b. environmental; and
- c. social.

### 3.1 Economic

#### 3.1.1 Quality Management System

To maintain the reputation and credibility of WEC's portfolio of brands, we are committed to maintain high-quality products and services. WEC sees this as a responsibility towards our customers and end-consumers.

The Group was awarded the Quality Management Standard ISO 9001:2015 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the following activities:

Wong Engineering Industries Sdn. Bhd. and Wong Engineering Electronics Sdn. Bhd.

- a. Metal Stamping, High Precision Fabrication and Machining Processes include related secondary processes;
- b. Manufacturing of Domestic Healthcare Appliances

Wong Exerion Precision Technology Sdn. Bhd.

- a. Provision of Mechanical Sub-Assembly Services.

Furthermore, implementing an effective ISO 9001:2015 also helps the Group to focus on the important areas of our business and improve efficiency.

#### 3.1.2 Supply Chain Management System

For the purpose of contributing to the local economy, we always promote to purchase from local suppliers who have been providing high quality and good services. During FY2019, the percentage of purchase from local suppliers is approximately 80%. We are committed to continue sourcing for our materials locally.

We believe that collaboration with sustainable and responsible suppliers is the way forward to gain a competitive edge in the global marketplace. All potential suppliers are required to abide by ethical procurement standards and principles stipulated in WEC's procurement policies. The representatives from our Procurement department and Quality Assurance department shall carry out an on-site visit to evaluate the potential supplier.

We ensure high quality control, screening and assessment take place in all our purchasing, production, and distribution networks. We continue to work closely with our partners and vendors to communicate our evolving product and service needs.



# SUSTAINABILITY STATEMENT 2019 (Cont'd)

## 3. Materiality Assessment (Cont'd)

### 3.1 Economic (Cont'd)

#### 3.1.3 Anti-Fraud

WEC views fraud as significant risks to our business and reputation. The Board of Directors had adopted a Fraud Policy and Reporting Procedure to facilitate the development of controls, which will aid in the detection and prevention of fraud against WEC. This policy applies to any fraud, or suspected fraud, involving employees as well as shareholders, consultants, suppliers, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Company. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Company.

All suspicious fraudulent activities reported by individual are to be directed to the Human Resources Manager or CEO. There have been no incidents reported related to fraud. Additionally, there have been no legal cases related to fraud brought against us nor have there been such incidents or confirmed incidents in which employees were dismissed or disciplined for fraud or corruption.

In addition to the Fraud Policy, WEC also adopted a Whistleblowing Policy and Reporting Procedure for employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way.

The Fraud and Whistleblowing Policies are reviewed and revised as required to determine its effectiveness in addressing potential fraud and corruption risks. The Fraud and Whistleblowing Policies are available on the Company's corporate website at [www.wec.com.my](http://www.wec.com.my).

### 3.2 Environmental

#### 3.2.1 Environment Management System

As WEC is a company which is responsible not only to its stakeholder but also to the environment. The Group obtained the Environmental Management System Standard ISO 14001:2015 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the following activities:

Wong Engineering Industries Sdn. Bhd. and Wong Engineering Electronics Sdn. Bhd.

- a. Metal Stamping, High Precision Fabrication and Machining Processes include related secondary processes;
- b. Manufacturing of Domestic Healthcare Appliances

Wong Exerion Precision Technology Sdn. Bhd.

- a. Provision of Mechanical Sub-Assembly Services.

ISO 14001:2015 helps the Group to manage our environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

#### 3.2.2 Energy Management

WEC is committed to reduce our energy consumption with the objectives of resource conservation, climate protection and cost savings.

We have initiated a project to replace the conventional fluorescent lights with light-emitting diodes ("LED"). Throughout FY2019, we installed about 270 units of LED lights. Each of the LED lights will save an estimated 23watt of electricity per unit. Furthermore, we encourage employees to switch off office lights and air conditioning during lunch breaks and non-office hours to avoid any wastage.

#### 3.2.3 Waste Management

Our employees are required to wear safety hand gloves when they are working in production plants to prevent injuries. As we recognise the benefits of recycling as a way to reduce our solid waste streams. The Group encourages our employees to recycle and reuse the cotton gloves. We have recycled 17% of gloves in FY2019 as compared to 13% in financial year 2018.



### 3. Materiality Assessment (Cont'd)

#### 3.3 Social

##### 3.3.1 Employee Management

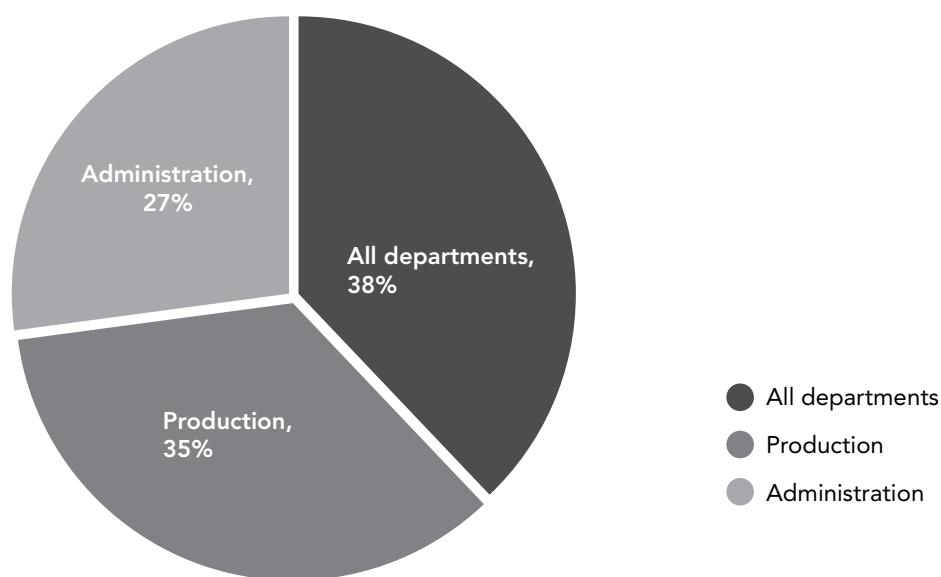
WEC believes that employees are WEC's valuable assets, who carry out the daily operations of WEC and ensuring the efficiency of the Group. We desire to provide a supportive and healthy workplace. As mentioned in our Ethics Policy, we endeavour to support fair practices in the work place and equal opportunities in employment regardless of race, religion and national origin. We have put in place human resource policies and guidelines in compliance with the relevant labour laws and regulations. Additionally, all employment and promotion decisions will be based solely upon individuals' qualifications, experience, prior contribution and demonstrated capacity.

##### 3.3.2 Employee Training and Development

We believe in continuous training and development to equip employees with required skills and capacities to perform their work effectively. The new employees will go through the on job-training programs tailored to their respective roles. On yearly basis, Department Heads are required to review the training needs of their staff and to recommend the relevant training courses for the staff to enhance their knowledge and skills.

Our employees participated in various types of training in the FY2019 are as follows:

Departmental Trainings (%)



##### 3.3.3 Occupational Health and Safety

WEC has in place an occupational safety and health policy that highlights our commitment to provide our employees with a safe working environment to minimise occupational related injuries and this will be achieved by the following:

- a. Inculcate and encourage the practice of 5S
- b. Raise awareness, develop and enforce safe working practices
- c. Provide continuous trainings for all staff
- d. Compliance with all applicable safety and health laws and regulations

Our Occupational Health and Safety initiatives are overseen by our Health and Safety, which is made up of representatives from our management team and our workforce.

# SUSTAINABILITY STATEMENT 2019 (Cont'd)

## 3. Materiality Assessment (Cont'd)

### 3.3 Social (Cont'd)

#### 3.3.3 Occupational Health and Safety (Cont'd)

We implement 5S workplace organisation method at all the buildings. The principles of the 5S represents "Sort", "Set in Order", "Shine", "Standardise" and "Sustain". WEC has a 5S committee, which consists of 15 members. There were four (4) 5S committee meetings conducted in FY2019.

#### 3.3.4 Emergency Response

WEC has an Emergency Response Team consisting of 17 members, who are prepared to respond in emergency situations. They are well trained on first aid, emergency evacuation and fire, safety and chemical spillage. Throughout FY2019, our Emergency Response Team conducted two (2) activities:

On 15 June 2019, the fire drill practice was conducted and all the employees participated in this practice.



The chemical spillage practice conducted on 14 June 2019.





## 3. Materiality Assessment (Cont'd)

### 3.3 Social (Cont'd)

#### 3.3.5 Local Communities

WEC acknowledges our responsibility as a corporate citizen and WEC has undertaken various efforts to improve our environmental initiatives. We have a Corporate Social Responsibility ("CSR") Committee which comprises 7 members.

We believe that value of volunteerism to our community will provide caring character and empathy among our employees and community. Therefore, WEC encourages our employees to reach out to various communities by allowing them to take time off from their regular duties and to participate in various charitable and community activities.

WEC conducted the following activities during FY2019:

#### a. Students Visit

We welcome students to visit WEC as we believe that during a company visit, students are engaged to think about how they might connect with jobs in the electrical and electronics industry. In July 2019, a group of students from Japan Malaysia Technical Institute (JMTI) Penang visited our Company for plant tour and knowledge sharing session. The experience is designated to give students additional information about the Group and its engineering capabilities, manufacturing processes and technical expertise.



#### b. Blood Donation Campaign

A blood donation campaign was organized annually conjointly with the Hospital Kulim, Kedah to save lives. The campaign was conducted at the Company's premise. We have 50 employees participated in this initiative to donate and contribute their bloods to the society.



# SUSTAINABILITY STATEMENT 2019 (Cont'd)

## 3. Materiality Assessment (Cont'd)

### 3.3 Social (Cont'd)

#### 3.3.5 Local Communities (Cont'd)

##### c. Social Visit to Old Folks Home

As part of our CSR program, our employees had visited the old folk's home "Jirehs Home", in Kulim on 29 September 2019. This old folks' home has approximately 20 senior citizens living under the same roof. We aim to instill awareness on the needs to care for the senior citizens and children with love, moral and financial support. A contribution was presented by our Executive Director to the representative of the old folks' home as our support to their home's daily operations and necessities.



##### d. Back to School Sponsorship

"Back-to-School" program is also part of the Company's effort to reach out to the employees' family members. In mid of November 2019, there were about 100 education supplies been sponsored to all the departmental employees' who have child aged between 7 to 18 years old. It helps them to prepare for the upcoming 2020 school year session as well as alleviate the financial burden of our employees' families.

##### e. Earth Hour 2019

Earth Hour is an annual environmental campaign that brings attention to the effects of climate change. On 24 March 2019, our factory turned off the non-essential lights and air-conditions for one hour as a symbol for the commitment to the planet. Meanwhile, our management sponsored a group of employees to support and participate in the WWF-Malaysia Earth Hour 2019 4km Night Run held on 30 March 2019, at Aman Central, Alor Setar. By organizing earth hour program annually, this effectively promote the awareness of environmental issues to the communities in a sustainable way.



## 3. Materiality Assessment (Cont'd)

### 3.3 Social (Cont'd)

#### 3.3.5 Local Communities (Cont'd)

##### f. Recycling Week Awareness

WEC recognizes the impact of our business activities to the environment, the management launched a recycling week awareness contest and encouraged all employees to participate. In the contest, we had successfully collected 826.9kg of electronic wastes, 371.3kg of paper wastes, 266.9kg of usable clothes and 122.1kg of plastic bottles. All the recyclable items were then donated to Fo En Hemodialysis Kulim in Kedah which is a charitable hemodialysis center.



##### g. Go paperless

With effect from December 2018, the Group has changed its traditional HR system to IFCA HR365 software. With minimum set up costs, our employees are now able to apply leaves, check their leaves balance and payrolls through the website. By creating this efficient and effective e-HR system, it reduces the cost of operation and create a paperless environment.

##### h. Annual Dinner

As a token of appreciation, the Group had organized the annual dinner 2019 to show our recognition for the workforce's efforts of our employees. We invited all our employees to participate in the Annual Dinner. The long service awards were presented to those employees who have worked with us for at least 15 years.



##### i. Sports Event Sponsorship

Having an active work-life balance is vital towards achieving a rich socio-economic environment and improve productivity in the workplace. In order to encourage healthy lifestyle and improve spirit de corps among the employees, we encourage our employees to participate in weekly badminton activities at KHTP Sport Complex, Kulim. The badminton sponsorship was extended for another year to challenge and reward the employees to stay active and healthy through badminton training.

# DIRECTORS' REPORT

for the year ended 31 October 2019

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 2019.

## 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	5,787,237	5,150,303
Non-controlling interest	(10,420)	-
	<u>5,776,817</u>	<u>5,150,303</u>

## Reserves and provisions

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

## Dividends

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 2018 as reported in the Directors' Report of that year:
  - A final single tier dividend of 1.0 sen per ordinary share totalling RM1,133,572 declared on 25 February 2019 and paid on 8 May 2019;
- ii) In respect of the financial year ended 31 October 2019:
  - A first interim single tier dividend of 0.5 sen per ordinary share totalling RM565,458 declared on 20 June 2019 and paid on 19 September 2019.

A final single tier dividend of 1.0 sen per ordinary share has been recommended, in respect of the financial year ended 31 October 2019, 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 of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, Directors who served in the Company's subsidiaries during the financial year until the date of this report are as follows:

Yong Hon Choong  
Wong Seik Pin  
Khoo Boo Inn  
Khoo Teng Jin  
Ong Chong Khim

(Appointed on 20 February 2019)

### 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 1.11.2018/ Date of appointment	Bought	Bonus issue	At 31.10.2019
Eng Teik Hiang				
Deemed interests in the Company:				
- others *	199,000	-	49,750	248,750
Yong Loy Huat				
Interests in the Company:				
- own	17,628,100	106,000	4,407,025	22,141,125
Low Seong Chuan				
Interests in the Company:				
- own	10,000	-	2,500	12,500
Chang Joo Huat				
Interests in the Company:				
- own	60,000	-	15,000	75,000
Anstey Yong Lee Teen				
Interests in the Company:				
- own	1,500,000	-	375,000	1,875,000

\* 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.

None of the other Directors holding office at 31 October 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

# **DIRECTORS' REPORT** (Cont'd)

for the year ended 31 October 2019

## **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**

At the Extraordinary General Meeting held on 19 December 2018, the shareholders approved the Bonus Issue of 22,921,993 ordinary shares credited as fully paid on the basis of one new ordinary share for every four existing ordinary shares. These were allocated to the shareholders on 10 January 2019. As a result, the issued share capital of the Company was increased from 91,688,000 to 114,609,993 ordinary shares.

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

## **Options granted over unissued shares**

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

## **Indemnity and insurance costs**

During the financial year, the total amount of insurance cost effected for Directors of the Company is RM10,350. However, 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.

# DIRECTORS' REPORT (Cont'd)

for the year ended 31 October 2019



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

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

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

In the opinion of the Directors, the financial performances of the Group and of the Company for the financial year ended 31 October 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Auditors

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

The auditors' remuneration is disclosed in Note 16 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: 18 February 2020

# STATEMENTS OF FINANCIAL POSITION

as at 31 October 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Assets</b>					
Property, plant and equipment	3	35,726,799	36,047,262	-	-
Investment properties	4	501,750	507,000	-	-
Investment in subsidiaries	5	-	-	63,024,853	63,024,853
Deferred tax assets	6	3,907,887	2,699,250	-	-
<b>Total non-current assets</b>		<b>40,136,436</b>	<b>39,253,512</b>	<b>63,024,853</b>	<b>63,024,853</b>
Inventories	7	11,608,145	13,046,571	-	-
Other investments	8	2,945,000	837,000	2,945,000	837,000
Trade and other receivables	9	12,704,842	12,572,104	69,940	18,520
Current tax assets		161,469	316,523	-	-
Cash and cash equivalents	10	31,590,983	9,185,468	860,683	129,180
<b>Total current assets</b>		<b>59,010,439</b>	<b>35,957,666</b>	<b>3,875,623</b>	<b>984,700</b>
<b>Total assets</b>		<b>99,146,875</b>	<b>75,211,178</b>	<b>66,900,476</b>	<b>64,009,553</b>
<b>Equity</b>					
Share capital	11	57,909,068	57,909,068	57,909,068	57,909,068
Reserves	12	10,861,923	7,455,071	7,769,355	4,999,437
<b>Total equity attributable to owners of the Company</b>		<b>68,770,991</b>	<b>65,364,139</b>	<b>65,678,423</b>	<b>62,908,505</b>
<b>Non-controlling interest</b>		<b>39,264</b>	<b>49,684</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>68,810,255</b>	<b>65,413,823</b>	<b>65,678,423</b>	<b>62,908,505</b>
<b>Liabilities</b>					
Loans and borrowings	13	17,899,084	528,918	-	-
Other payable	14	-	470,611	926,501	933,721
<b>Total non-current liabilities</b>		<b>17,899,084</b>	<b>999,529</b>	<b>926,501</b>	<b>933,721</b>
Loans and borrowings	13	2,930,811	699,189	-	-
Current tax liabilities		266,695	92,286	-	-
Trade and other payables	14	9,240,030	8,006,351	295,552	167,327
<b>Total current liabilities</b>		<b>12,437,536</b>	<b>8,797,826</b>	<b>295,552</b>	<b>167,327</b>
<b>Total liabilities</b>		<b>30,336,620</b>	<b>9,797,355</b>	<b>1,222,053</b>	<b>1,101,048</b>
<b>Total equity and liabilities</b>		<b>99,146,875</b>	<b>75,211,178</b>	<b>66,900,476</b>	<b>64,009,553</b>

The notes on pages 58 to 116 are an integral part of these financial statements.

# STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 October 2019



	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	15	<b>60,906,776</b>	60,454,175	<b>4,278,123</b>	4,412,467
Cost of sales		<b>(49,107,980)</b>	(46,912,451)	-	-
<b>Gross profit</b>		<b>11,798,796</b>	13,541,724	<b>4,278,123</b>	4,412,467
Other income		<b>2,337,407</b>	2,610,415	<b>1,568,642</b>	12,407
Distribution expenses		<b>(925,765)</b>	(948,749)	-	-
Administrative expenses		<b>(6,708,128)</b>	(5,959,933)	<b>(684,481)</b>	(403,852)
Other expenses		<b>(487,839)</b>	(747,511)	-	(537,019)
<b>Results from operating activities</b>	16	<b>6,014,471</b>	8,495,946	<b>5,162,284</b>	3,484,003
Finance costs	18	<b>(827,164)</b>	(267,399)	<b>(11,981)</b>	(1,707)
<b>Profit before tax</b>		<b>5,187,307</b>	8,228,547	<b>5,150,303</b>	3,482,296
Income tax	19	<b>589,510</b>	451,485	-	-
<b>Profit for the year representing total comprehensive income for the year</b>		<b>5,776,817</b>	8,680,032	<b>5,150,303</b>	3,482,296
<b>Profit for the year representing total comprehensive income for the year attributable to:</b>					
Owners of the Company		<b>5,787,237</b>	8,677,489	<b>5,150,303</b>	3,482,296
Non-controlling interest		<b>(10,420)</b>	2,543	-	-
<b>Profit for the year representing total comprehensive income for the year</b>		<b>5,776,817</b>	8,680,032	<b>5,150,303</b>	3,482,296
<b>Basic earnings per ordinary share (sen)</b>	20	<b>5.11</b>	7.60		

The notes on pages 58 to 116 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 October 2019

	Share capital RM	Treasury shares RM	Retained earnings RM	Total RM	Non- controlling interest RM	Total Equity RM
<b>Group</b>						
<b>At 1 November 2017</b>	57,909,068	(70,379)	1,889,921	59,728,610	76,541	59,805,151
Profit for the year representing total comprehensive income for the year	-	-	8,677,489	8,677,489	2,543	8,680,032
Contributions by and distributions to owners of the Company						
- Own shares acquired	-	(297,951)	-	(297,951)	-	(297,951)
- Dividends to owners of the Company (Note 21)	-	-	(2,744,009)	(2,744,009)	(29,400)	(2,773,409)
<b>Total transactions with owners of the Company</b>	-	(297,951)	(2,744,009)	(3,041,960)	(29,400)	(3,071,360)
<b>At 31 October 2018</b>	57,909,068	(368,330)	7,823,401	65,364,139	49,684	65,413,823
	← Note 11	← Note 12	←			
<b>Group</b>						
<b>At 1 November 2018</b>	57,909,068	(368,330)	7,823,401	65,364,139	49,684	65,413,823
Profit/(Loss) for the year representing total comprehensive income/(expense) for the year	-	-	5,787,237	5,787,237	(10,420)	5,776,817
Contributions by and distributions to owners of the Company						
- Own shares acquired	-	(681,355)	-	(681,355)	-	(681,355)
- Dividends to owners of the Company (Note 21)	-	-	(1,699,030)	(1,699,030)	-	(1,699,030)
<b>Total transactions with owners of the Company</b>	-	(681,355)	(1,699,030)	(2,380,385)	-	(2,380,385)
<b>At 31 October 2019</b>	57,909,068	(1,049,685)	11,911,608	68,770,991	39,264	68,810,255
	← Note 11	← Note 12	←			

# STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the year ended 31 October 2019



	← Attributable to owners of the Company →			
	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM
<b>Company</b>				
<b>At 1 November 2017</b>	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 21)	-	-	(2,744,009)	(2,744,009)
<b>Total transactions with owners of the Company</b>	-	(297,951)	(2,744,009)	(3,041,960)
<b>At 31 October 2018/ 1 November 2018</b>	57,909,068	(368,330)	5,367,767	62,908,505
Profit for the year representing total comprehensive income for the year	-	-	5,150,303	5,150,303
<i>Contributions by and distributions to owners of the Company</i>				
- Own shares acquired	-	(681,355)	-	(681,355)
- Dividends to owners of the Company (Note 21)	-	-	(1,699,030)	(1,699,030)
<b>Total transactions with owners of the Company</b>	-	(681,355)	(1,699,030)	(2,380,385)
<b>At 31 October 2019</b>	<b>57,909,068</b>	<b>(1,049,685)</b>	<b>8,819,040</b>	<b>65,678,423</b>
	Note 11 ←	← Note 12	→	

The notes on pages 58 to 116 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

for the year ended 31 October 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from operating activities</b>					
Profit before tax		5,187,307	8,228,547	5,150,303	3,482,296
Adjustments for:					
Fair value (gain)/loss on quoted shares	16	(625,095)	537,019	(625,095)	537,019
Depreciation of property, plant and equipment	3	3,906,804	4,052,656	-	-
Depreciation of investment properties	4	5,250	5,250	-	-
Interest expense	18	827,164	267,399	11,981	1,707
Interest income	16	(427,506)	(166,929)	(21,399)	(12,407)
Gain on disposal of assets	16	(203,142)	(2,284,389)	-	-
Plant and equipment written off		23,006	-	-	-
(Gain)/Loss on disposal of quoted shares	16	(922,148)	-	(922,148)	-
Impairment loss on trade receivables		454,869	-	-	-
Dividend income	15	(106,461)	(11,995)	(3,950,531)	(4,264,459)
<b>Operating profit/(loss) before changes in working capital</b>		<b>8,120,048</b>	<b>10,627,558</b>	<b>(356,889)</b>	<b>(255,844)</b>
Changes in working capital:					
Inventories		1,438,426	150,957	-	-
Trade and other receivables		(587,607)	(2,219,393)	(51,420)	18,573
Trade and other payables		1,106,371	1,251,908	121,005	(37,122)
<b>Cash generated from/(used in) operations</b>		<b>10,077,238</b>	<b>9,811,030</b>	<b>(287,304)</b>	<b>(274,393)</b>
Dividend received		106,461	11,995	3,950,531	4,264,459
Tax paid		(289,664)	(669,917)	-	-
<b>Net cash from operating activities</b>		<b>9,894,035</b>	<b>9,153,108</b>	<b>3,663,227</b>	<b>3,990,066</b>
<b>Cash flows from investing activities</b>					
Acquisition of plant and equipment	A	(1,461,904)	(348,880)	-	-
Proceeds from disposal of assets		328,116	5,050,000	-	-
Interest received		427,506	166,929	21,399	12,407
Additions of other investments		(1,914,905)	(1,374,019)	(1,914,905)	(1,374,019)
Proceeds from disposal of other investments		1,354,148	-	1,354,148	-
<b>Net cash (used in)/from investing activities</b>		<b>(1,267,039)</b>	<b>3,494,030</b>	<b>(539,358)</b>	<b>(1,361,612)</b>

# STATEMENTS OF CASH FLOWS (Cont'd)

for the year ended 31 October 2019



	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from financing activities</b>					
Dividends paid		(1,699,030)	(2,773,409)	(1,699,030)	(2,744,009)
Repayment of other payable		(343,303)	(1,161,262)	-	-
Repayment of other borrowings		(1,333,336)	(903,500)	-	-
Drawdown of other borrowings		20,000,000	-	-	-
Repayment of finance lease liabilities		(1,337,293)	(2,646,856)	-	-
Repurchase of treasury shares		(681,355)	(297,951)	(681,355)	(297,951)
Interest paid		(827,164)	(267,399)	(11,981)	(1,707)
<b>Net cash from/(used in) financing activities</b>		<b>13,778,519</b>	<b>(8,050,377)</b>	<b>(2,392,366)</b>	<b>(3,043,667)</b>
Net increase/(decrease) in cash and cash equivalents		<b>22,405,515</b>	4,596,761	<b>731,503</b>	(415,213)
Cash and cash equivalents at 1 November 2018/2017		<b>9,185,468</b>	4,588,707	<b>129,180</b>	544,393
<b>Cash and cash equivalents at 31 October</b>	B	<b>31,590,983</b>	9,185,468	<b>860,683</b>	129,180

## 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 RM3,734,321 (2018 : RM1,106,520) of which RM1,461,904 (2018 : RM348,880) was paid by cash. The balance of RM2,272,417 (2018 : RM757,640) was acquired by means of finance leases.

### 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	
		2019 RM	2018 RM	2019 RM	2018 RM
Short term deposits placed with licensed banks	10	23,060,920	4,400,000	-	-
Cash and bank balances	10	8,530,063	4,785,468	860,683	129,180
		<b>31,590,983</b>	9,185,468	<b>860,683</b>	129,180

The notes on pages 58 to 116 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 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in investment holding activities. The principle activities of the subsidiaries are stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18 February 2020.

## 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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments 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 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 2020***

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 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 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, interpretations and amendments, where applicable, in the respective financial years when the abovementioned accounting standards, interpretations or amendments become effective.

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

#### **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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 1. Basis of preparation (Cont'd)

### (d) Use of estimates and judgements (Cont'd)

#### (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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition; and
- iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 28.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 2. Significant accounting policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (ii) Business combinations (Cont'd)

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 a financial asset depending on the level of influence retained.

#### (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 currencies of Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

#### (i) Recognition and initial 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.

##### Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

##### Previous financial year

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

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

##### Financial assets

##### Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

#### (a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

#### (b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 2. Significant accounting policies (Cont'd)

### (c) Financial instruments (Cont'd)

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

##### Financial assets (Cont'd)

##### Current financial year (Cont'd)

#### (b) Fair value through profit or loss (Cont'd)

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(i)(i)).

##### Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

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

#### (b) Loans and receivables

Loans and receivables category comprised trade and other receivables and cash and cash equivalents.

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

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note 2(i)(i)).

##### Financial liabilities

##### Current financial year

The categories of financial liabilities at initial recognition are as follows:

#### Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (c) Financial instruments (Cont'd)

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

##### Financial assets (Cont'd)

##### Current financial year (Cont'd)

##### *Amortised cost* (Cont'd)

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

##### Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were 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.

##### Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

##### Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was 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 of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.



## 2. Significant accounting policies (Cont'd)

### (c) Financial instruments (Cont'd)

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

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

#### (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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

#### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

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

#### (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.

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

	%
Leasehold land	1.67
Buildings	2
Plant and machinery	10
Furniture, fittings and office equipment	6.67 - 50
Motor vehicles	16

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

### (e) Leased assets

#### (i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or capital appreciation or for both.



## 2. Significant accounting policies (Cont'd)

### (e) Leased assets (Cont'd)

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the 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 property

#### (i) Investment property 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.

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

Depreciation 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 property

Transfer between investment property 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (h) Cash and cash equivalents

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

### (i) Impairment

#### (i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

#### Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due.



## 2. Significant accounting policies (Cont'd)

### (i) Impairment (Cont'd)

#### (i) Financial assets (Cont'd)

##### Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

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

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax assets) 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)

### (j) Equity instruments

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

#### (i) Issue expenses

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

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

When 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.

### (k) Employee benefits

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

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

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

#### (ii) State plans

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

### (l) Provisions

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



## 2. Significant accounting policies (Cont'd)

### (m) Revenue and other income

#### (i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

#### **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.

#### (ii) Rental income

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

#### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (iv) Interest income

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

### (n) Borrowing costs

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

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



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (n) 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.

### (o) Income tax

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

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

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.

### (p) 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.

### (q) Operating segments

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



## 2. Significant accounting policies (Cont'd)

### (r) 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.

### (s) 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 is 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

Cost	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
At 1 November 2017	5,262,364	31,233,088	57,319,373	13,308,004	1,621,351	-	108,744,180
Additions	-	68,773	443,140	290,207	-	304,400	1,106,520
At 31 October 2018/1 November 2018	5,262,364	31,301,861	57,762,513	13,598,211	1,621,351	304,400	109,850,700
Additions	-	-	2,391,972	519,068	604,281	219,000	3,734,321
Reclassification	-	-	-	304,400	-	(304,400)	-
Disposal	-	-	(3,138,389)	-	(285,132)	-	(3,423,521)
Write-off	-	-	(580,518)	(132,695)	(23,825)	-	(737,038)
At 31 October 2019	<b>5,262,364</b>	<b>31,301,861</b>	<b>56,435,578</b>	<b>14,288,984</b>	<b>1,916,675</b>	<b>219,000</b>	<b>109,424,462</b>

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

	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
<b>Depreciation and impairment loss</b>							
At 1 November 2017							
- Accumulated depreciation	1,827,549	12,292,213	44,222,434	10,089,779	967,021	-	69,398,996
- Accumulated impairment loss	-	-	351,786	-	-	-	351,786
Depreciation for the year	1,827,549	12,292,213	44,574,220	10,089,779	967,021	-	69,750,782
	87,706	616,031	2,660,164	515,282	173,473	-	4,052,656
At 31 October 2018/1 November 2018							
- Accumulated depreciation	1,915,255	12,908,244	46,882,598	10,605,061	1,140,494	-	73,451,652
- Accumulated impairment loss	-	-	351,786	-	-	-	351,786
Depreciation for the year	1,915,255	12,908,244	47,234,384	10,605,061	1,140,494	-	73,803,438
	87,706	617,746	2,415,316	587,207	198,829	-	3,906,804
Disposal	-	-	(3,104,657)	-	(193,890)	-	(3,298,547)
Write-off	-	-	(558,615)	(131,592)	(23,825)	-	(714,032)
At 31 October 2019							
- Accumulated depreciation	2,002,961	13,525,990	45,634,642	11,060,676	1,121,608	-	73,345,877
- Accumulated impairment loss	-	-	351,786	-	-	-	351,786
	2,002,961	13,525,990	45,986,428	11,060,676	1,121,608	-	73,697,663

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
<b>Carrying amounts</b>							
At 1 November 2017	3,434,815	18,940,875	12,745,153	3,218,225	654,330	-	38,993,398
At 31 October 2018/1 November 2018	3,347,109	18,393,617	10,528,129	2,993,150	480,857	304,400	36,047,262
At 31 October 2019	<b>3,259,403</b>	<b>17,775,871</b>	<b>10,449,150</b>	<b>3,228,308</b>	<b>795,067</b>	<b>219,000</b>	<b>35,726,799</b>

### 3.1 Assets under finance lease

Included in the carrying amounts of plant and equipment are assets acquired under finance lease amounting to RM3,119,511 (2018 : RM2,149,685).

### 3.2 Security

The leased plant and machinery discussed above secures lease obligations.

At 31 October 2019, land and buildings with a carrying amount of RM20,440,333 (2018 : Nil) are charged to a licensed bank as security for term loan.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 4. Investment properties - Group

	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 1 November 2017	622,500	(110,250)	512,250
Depreciation for the year	-	(5,250)	(5,250)
At 31 October 2018/1 November 2018	622,500	(115,500)	507,000
Depreciation for the year	-	(5,250)	(5,250)
At 31 October 2019	<b>622,500</b>	<b>(120,750)</b>	<b>501,750</b>

### 4.1 The carrying amounts are represented by:

	2019 RM	2018 RM
Freehold land	<b>360,000</b>	360,000
Freehold buildings	<b>141,750</b>	147,000
	<b>501,750</b>	507,000

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

	2019 RM	2018 RM
Rental income	<b>13,200</b>	48,600
Direct operating expenses:		
- income generating investment properties	<b>1,390</b>	8,354
- non-income generating investment properties	<b>4,549</b>	2,313

### 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 2019 is classified as Level 3 of the fair value hierarchy and is determined to be approximately RM1,395,000 (2018 : RM978,000).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 5. Investment in subsidiaries - Company

	2019 RM	2018 RM
At cost		
Unquoted shares	68,469,745	68,469,745
Less : Impairment losses	(5,444,892)	(5,444,892)
	<b>63,024,853</b>	<b>63,024,853</b>

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2019 %	2018 %
Wong Engineering Industries Sdn. Bhd.	Design and manufacture of high precision metal stamped parts and sheet metals	100	100
Wong Engineering Electronics Sdn. Bhd.	Manufacture of high precision turned metal components	100	100
WEC Marketing Sdn. Bhd.	Trading, marketing and retailing of industrial and consumer products	100	100
Wong Engineering Metals (M) Sdn. Bhd.	Dormant	100	100
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. ("FWE")	Design, manufacture and supply of complex welded frames structure, related modules and systems	51	51

All the above subsidiaries are incorporated in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

### 5.1 Non-controlling interest in a subsidiary

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

	2019 RM	FWE 2018 RM
<b>NCI percentage of ownership interest and voting interest</b>	<b>49%</b>	<b>49%</b>
Carrying amount of NCI	<u>39,264</u>	<u>49,684</u>
(Loss)/Profit allocated to NCI	<u>(10,420)</u>	<u>2,543</u>
<b>Summarised financial information before intra-group elimination:</b>		
<b>As at 31 October</b>		
Current assets	87,330	101,396
Current liabilities	(7,200)	-
Net assets	<u>80,130</u>	<u>101,396</u>
<b>Year ended 31 October</b>		
Revenue	-	51,223
(Loss)/Profit for the year	(21,265)	5,190
Total comprehensive (expense)/income	<u>(21,265)</u>	<u>5,190</u>
Cash flows from operating activities	(8,730)	8,173
Cash flows from investing activity	4	12
Cash flows from financing activity	-	(60,000)
Net decrease in cash and cash equivalents	<u>(8,726)</u>	<u>(51,815)</u>
Dividend paid to NCI	-	(29,400)



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 6. Deferred tax assets

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
<b>Group</b>						
Property, plant and equipment	-	-	(1,834,464)	(1,851,801)	(1,834,464)	(1,851,801)
Tax loss carry-forwards	-	740,959	-	-	-	740,959
Reinvestment allowances carry-forwards	5,145,849	3,810,092	-	-	5,145,849	3,810,092
Provisions	596,502	-	-	-	596,502	-
<b>Tax assets/(liabilities)</b>	<b>5,742,351</b>	<b>4,551,051</b>	<b>(1,834,464)</b>	<b>(1,851,801)</b>	<b>3,907,887</b>	<b>2,699,250</b>
Set off of tax	(1,834,464)	(1,851,801)	1,834,464	1,851,801	-	-
<b>Net tax assets</b>	<b>3,907,887</b>	<b>2,699,250</b>	<b>-</b>	<b>-</b>	<b>3,907,887</b>	<b>2,699,250</b>

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.

## 6. Deferred tax assets (Cont'd)

Movements in temporary differences during the year

Group	At	Recognised	Recognised in	At
	1.11.2017 RM	in profit or loss (Note 19) RM	profit or loss (Note 19) RM	31.10.2019 RM
Property, plant and equipment	(1,169,901)	(681,900)	17,337	(1,834,464)
Tax loss carry-forwards	273,499	467,460	(740,959)	-
Reinvestment allowances carry-forwards	2,443,717	1,366,375	1,335,757	5,145,849
Provisions	-	-	596,502	596,502
	<u>1,547,315</u>	<u>1,151,935</u>	<u>1,208,637</u>	<u>3,907,887</u>

## Unrecognised deferred tax assets

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

	Group			Company	
	2019 RM	2018 RM	2019 RM	2019 RM	2018 RM
Unabsorbed reinvestment allowances carry-forwards	5,895,000	11,226,000	-	-	-
Unutilised tax losses carry-forwards	3,742,000	2,858,000	807,000	807,000	708,000
Other deductible temporary differences	58,000	2,062,000	-	-	-
	<u>9,695,000</u>	<u>16,146,000</u>	<u>807,000</u>	<u>807,000</u>	<u>708,000</u>

Following the enactment of the Finance Bill 2018, the reinvestment allowances and tax losses carry-forwards up to year of assessment 2018 shall be deductible against aggregate of statutory income until year of assessment 2025. Any amount not deducted at the end of year of assessment 2025 shall be disregarded. 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 and the Company can utilise the benefits therefrom.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. Inventories - Group

	2019 RM	2018 RM
Raw materials	5,076,120	4,692,134
Work-in-progress	3,786,707	4,710,523
Finished goods	2,745,318	3,643,914
	<u>11,608,145</u>	<u>13,046,571</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales in relation to the Group's precision engineering segment	36,234,840	37,532,252
Inventory written off	79,846	590,850
Write-down to net realisable value	508,910	614,466
Reversal of inventories written down	<u>(22,360)</u>	<u>(357,077)</u>

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

## 8. Other investments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Current</b>				
Financial assets at fair value through profit or loss	<u>2,945,000</u>	<u>837,000</u>	<u>2,945,000</u>	<u>837,000</u>

## 9. Trade and other receivables

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade</b>					
Trade receivables		11,806,716	11,291,041	-	-
<b>Non-trade</b>					
Amount due from subsidiaries	9.1	-	-	66,633	9,074
Other receivables	9.2	171,282	403,307	2,307	8,446
Deposits		180,099	112,129	1,000	1,000
Prepayments		546,745	765,627	-	-
		<u>898,126</u>	<u>1,281,063</u>	<u>69,940</u>	<u>18,520</u>
		<u>12,704,842</u>	<u>12,572,104</u>	<u>69,940</u>	<u>18,520</u>

### 9.1 Amount due from subsidiaries - Company

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

### 9.2 Other receivables - Group

Included in other receivables is indirect tax refundable of RM150,985 (2018: RM391,456).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 10. Cash and cash equivalents

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short term deposits placed with licensed banks	23,060,920	4,400,000	-	-
Cash and bank balances	8,530,063	4,785,468	860,683	129,180
	<b>31,590,983</b>	<b>9,185,468</b>	<b>860,683</b>	<b>129,180</b>

## 11. Share capital - Group/Company

	2019		2018	
	Amount RM	Number of shares	Amount RM	Number of shares
<b>Share capital</b>				
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 Nov 2018/2017	57,909,068	91,688,000	57,909,068	91,688,000
Issue of bonus share (Note 11.1)	-	22,921,993	-	-
At 31 October	<b>57,909,068</b>	<b>114,609,993</b>	<b>57,909,068</b>	<b>91,688,000</b>

### 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.

11.1 At the Extraordinary General Meeting held on 19 December 2018, the shareholders approved the Bonus Issue of 22,921,993 ordinary shares credited as fully paid on the basis of one new ordinary share for every four existing ordinary shares. These were allocated to the shareholders on 10 January 2019. As a result, the issued shares of the Company was increased from 91,688,000 to 114,609,993 ordinary shares.

## 12. Reserves

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Treasury shares	12.1	(1,049,685)	(368,330)	(1,049,685)	(368,330)
Retained earnings		11,911,608	7,823,401	8,819,040	5,367,767
		<b>10,861,923</b>	<b>7,455,071</b>	<b>7,769,355</b>	<b>4,999,437</b>

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 12. Reserves (Cont'd)

### 12.1 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 1,101,900 (2018 : 347,400) of its issued ordinary share from the open market. The average price paid for the shares repurchased was RM0.62 (2018 : RM0.86) 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 2019, the Company repurchased a total of 1,596,200 (2018 : 494,300) of its issued ordinary shares 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. The Company also received 222,000 of bonus shares from the bonus issue exercise which was completed on 11 January 2019.

	← Group/Company →			
	2019		2018	
	Amount RM	Number of shares	Amount RM	Number of shares
Balance at 1 November 2018/2017	368,330	494,300	70,379	146,900
Shares repurchased	681,355	1,101,900	297,951	347,400
Bonus shares received	-	222,000	-	-
Balance at 31 October	<u>1,049,685</u>	<u>1,818,200</u>	<u>368,330</u>	<u>494,300</u>

## 13. Loans and borrowings - Group

	Note	2019 RM	2018 RM
<b>Non-current</b>			
Term loan	13.1	16,666,660	-
Finance lease liabilities	13.2	1,232,424	528,918
		<u>17,899,084</u>	<u>528,918</u>
<b>Current</b>			
Term loan	13.1	2,000,004	-
Finance lease liabilities	13.2	930,807	699,189
		<u>2,930,811</u>	<u>699,189</u>

### 13.1 Term loan

#### Security

The term loan is secured over land and buildings (see Note 3) and the corporate guarantee from the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 13. Loans and borrowings - Group (Cont'd)

### 13.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	← 2019 →			← 2018 →		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than one year	1,027,014	96,207	930,807	773,919	74,730	699,189
Between one and five years	1,286,630	54,206	1,232,424	577,145	48,227	528,918
	<b>2,313,644</b>	<b>150,413</b>	<b>2,163,231</b>	<b>1,351,064</b>	<b>122,957</b>	<b>1,228,107</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 13. Loans and borrowings - Group (Cont'd)

### 13.3 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 November 2017 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 October 2018/ 1 November 2018 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 October 2019 RM
<b>Group</b>							
Term loan	-	-	-	-	18,666,664	-	18,666,664
Finance lease liabilities	3,117,323	(2,646,856)	757,640	1,228,107	(1,337,293)	2,272,417	2,163,231
Revolving credits	903,500	(903,500)	-	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>4,020,823</b>	<b>(3,550,356)</b>	<b>757,640</b>	<b>1,228,107</b>	<b>17,329,371</b>	<b>2,272,417</b>	<b>20,829,895</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 14. Trade and other payables

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Non-current</b>					
<b>Non-trade</b>					
Other payable	14.1	-	470,611	-	-
Amount due to a subsidiary	14.2	-	-	<b>926,501</b>	933,721
		-	470,611	<b>926,501</b>	933,721
<b>Current</b>					
<b>Trade</b>					
Trade payables		<b>4,855,262</b>	5,714,272	-	-
<b>Non-trade</b>					
Other payables	14.1	<b>1,616,756</b>	818,689	<b>7,091</b>	1,062
Accrued expenses		<b>2,768,012</b>	1,473,390	<b>288,461</b>	166,265
		<b>4,384,768</b>	2,292,079	<b>295,552</b>	167,327
		<b>9,240,030</b>	8,006,051	<b>295,552</b>	167,327
		<b>9,240,030</b>	8,476,962	<b>1,222,053</b>	1,101,048

### 14.1 Other payables - Group

Included in the current non-trade other payables of the Group is an amount owing to a supplier of plant and machinery of RM470,611 (2018 : RM343,303). The balance sum of RM Nil (2018 : RM470,611) owing to the similar machine supplier is not payable within a year and was thus classified as non-current other payable.

### 14.2 Amount due to a subsidiary - Company

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.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 15. Revenue

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers	<b>60,800,315</b>	60,442,180	-	-
<b>Other revenue</b>				
- Dividend income	<b>106,461</b>	11,995	<b>3,950,531</b>	4,264,459
- Management fee from subsidiaries	-	-	<b>327,592</b>	148,008
	<b>106,461</b>	11,995	<b>4,278,123</b>	4,412,467
<b>Total revenue</b>	<b><u>60,906,776</u></b>	<u>60,454,175</u>	<b><u>4,278,123</u></b>	<u>4,412,467</u>

## 15. Revenue (Cont'd)

### 15.1 Disaggregation of revenue

Group	Reportable segments						Total
	Precision engineering			Construction and property development			
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM	
<b>Primary geographical markets</b>							
Malaysia	34,973,318	37,979,498	14,230,119	9,273,870	-	-	49,203,437
Asia (excluding Malaysia)	5,557,832	5,695,256	-	-	-	-	5,557,832
Europe	5,230,554	6,555,602	-	-	-	-	5,230,554
Other countries	808,492	937,954	-	-	-	-	808,492
	<b>46,570,196</b>	<b>51,168,310</b>	<b>14,230,119</b>	<b>9,273,870</b>	<b>-</b>	<b>-</b>	<b>60,800,315</b>
<b>Major products and service line</b>							
Sale of precision metal stamped parts and sheets metals	46,570,196	51,168,310	-	-	-	-	46,570,196
Construction contracts	-	-	14,230,119	9,273,870	-	-	14,230,119
	<b>46,570,196</b>	<b>51,168,310</b>	<b>14,230,119</b>	<b>9,273,870</b>	<b>-</b>	<b>-</b>	<b>60,800,315</b>
<b>Timing and recognition</b>							
At a point in time	46,570,196	51,168,310	-	-	-	-	46,570,196
Over time	-	-	14,230,119	9,273,870	-	-	14,230,119
	<b>46,570,196</b>	<b>51,168,310</b>	<b>14,230,119</b>	<b>9,273,870</b>	<b>-</b>	<b>-</b>	<b>60,800,315</b>
<b>Revenue from contracts with customers</b>							
Other revenue	-	-	-	-	106,461	11,995	106,461
<b>Total revenue</b>	<b>46,570,196</b>	<b>51,168,310</b>	<b>14,230,119</b>	<b>9,273,870</b>	<b>106,461</b>	<b>11,995</b>	<b>60,906,776</b>
							<b>60,454,175</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 15. Revenue (Cont'd)

### 15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sale of precision metal stamped parts and sheets metal	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 to 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Construction contract	Revenue is recognised over time using the output method.	Based on agreed milestones, certified by architects.	Not applicable.	Not applicable.	Defect liability period of 2 years is given to the customer.

### 15.3 Transaction price allocated to the remaining performance obligations

The amount of revenue from the Group's construction activities that are expected to be recognised in future relating to performance obligations that are unsatisfied or partially unsatisfied at the reporting date amounted to RM64,780,911 (2018 : RM79,011,030). The Group expects to recognise the revenue progressively over the remaining construction period of approximately 2-3 years based on the progress of satisfaction of the performance obligation.

### 15.4 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- The Group recognised construction revenue and expenses in profit or loss using the stage of completion method. The stage of completion is determined by reference to the completion of a physical proportion of work-to-date.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 16. Results from operating activities

Results from operating activities are arrived at after charging/(crediting):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Auditors' remunerations:</b>				
- Audit fees	134,000	134,000	31,000	31,000
- Non-audit fees				
- KPMG PLT	4,000	4,000	4,000	4,000
<b>Material expenses/(income)</b>				
Rental of buildings	42,743	5,680	-	-
Personnel expenses (including key management personnel)				
- Wages, salaries and others	10,660,433	10,518,219	-	-
- Contribution to Employees' Provident Fund	944,165	849,291	-	-
Fair value (gain)/loss on quoted shares	(625,095)	537,019	(625,095)	537,019
Interest income	(427,506)	(166,929)	(21,399)	(12,407)
Gain on disposal of assets	(203,142)	(2,284,389)	-	-
Gain on disposal of other investments	(922,148)	-	(922,148)	-
Rental income on premises	(45,600)	(80,520)	-	-
(Gain)/loss on foreign exchange				
- Realised	(58,855)	210,491	-	-
- Unrealised	(43,642)	(72,579)	-	-

## 17. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Directors</b>				
- Fees	255,000	225,000	255,000	225,000
- Remuneration	884,066	603,403	-	-
- Other short term employees benefits (including estimated monetary value of benefits-in-kind)	33,477	23,391	13,500	12,000
	<u>1,172,543</u>	<u>851,794</u>	<u>268,500</u>	<u>237,000</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 18. Finance costs

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Term loan	665,928	-	-	-
- Revolving credits	11,981	-	11,981	-
- Bank overdrafts	-	1,779	-	1,707
- Finance lease liabilities	132,558	160,216	-	-
- Unwinding of discount on non-current payable	16,697	105,404	-	-
	<u>827,164</u>	<u>267,399</u>	<u>11,981</u>	<u>1,707</u>

## 19. Income tax

### Recognised in profit or loss

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Current tax expense</b>				
- Current year	645,595	701,847	-	-
- Prior year	(26,468)	(1,397)	-	-
Total current tax recognised in profit or loss	619,127	700,450	-	-
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	(1,208,637)	(1,032,242)	-	-
- Prior year	-	(119,693)	-	-
Total deferred tax recognised in profit or loss	(1,208,637)	(1,151,935)	-	-
Total income tax	<u>(589,510)</u>	<u>(451,485)</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 19. Income tax (Cont'd)

### Reconciliation of income tax

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	<b>5,187,307</b>	8,228,547	<b>5,150,303</b>	3,482,296
Income tax calculated using Malaysian tax rate of 24%	<b>1,244,953</b>	1,974,851	<b>1,236,073</b>	835,751
Non-deductible expenses	<b>165,213</b>	305,091	<b>59,704</b>	42,923
Effect of deferred tax assets not recognised	-	-	<b>23,689</b>	141,917
Recognition of previously unrecognised deferred tax assets	<b>(1,548,180)</b>	(2,274,509)	-	-
Non-taxable income	<b>(396,889)</b>	(433,137)	<b>(1,319,466)</b>	(1,020,591)
Others	<b>(28,139)</b>	97,308	-	-
Over provision in prior years	<b>(26,468)</b>	(121,089)	-	-
	<b>(589,510)</b>	(451,485)	-	-

## 20. Basic earnings per ordinary share - Group

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders of RM5,787,237 (2018 : RM8,677,489) and a weighted average number of ordinary shares outstanding, excluding treasury shares held by the Company, calculated as follows:

	2019	2018
Issued ordinary shares at beginning of year	<b>91,193,700</b>	91,541,100
Effect of shares buy back	<b>(576,814)</b>	(71,503)
Effect of bonus issue in year 2019	<b>22,699,993</b>	22,699,993
Weighted average number of ordinary shares at 31 October	<b>113,316,879</b>	114,169,590

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 21. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
<b>2019</b>			
Final 2018 single tier	1.0	1,133,572	8 May 2019
First interim 2019 single tier	0.5	565,458	19 September 2019
		<u>1,699,030</u>	
<b>2018</b>			
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 2019, 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 2019, which will be accounted for as an appropriation of the retained earnings in the financial year ending 31 October 2020.

## 22. Operating segments

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

The total of segment asset 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 22. Operating segments (Cont'd)

### Segment capital expenditure (Cont'd)

	Precision engineering RM	Construction and property development RM	Others RM	Total RM
<b>Group</b>				
<b>2019</b>				
<b>Segment profit</b>	<b>2,427,783</b>	<b>1,526,877</b>	<b>1,632,305</b>	<b>5,586,965</b>
<i>Included in the measure of segment profit/ (loss) are:</i>				
Revenue from external customers	46,570,196	14,230,119	106,461	60,906,776
Depreciation of property, plant and equipment	(3,900,143)	(6,661)	-	(3,906,804)
Depreciation of investment properties	(5,250)	-	-	(5,250)
<i>Not included in the measure of segment profit but provided to CODM:</i>				
Finance costs	(766,705)	(48,478)	(11,981)	(827,164)
Finance income	406,107	-	21,399	427,506
Tax credit/(expense)	957,087	(367,577)	-	589,510
<b>Segment assets</b>	<b>88,584,350</b>	<b>6,753,535</b>	<b>3,808,990</b>	<b>99,146,875</b>
<i>Included in the measure of segment assets are:</i>				
- Additions to property, plant and equipment	3,704,954	29,367	-	3,734,321



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 22. Operating segments (Cont'd)

### Segment capital expenditure (Cont'd)

	Precision engineering RM	Construction and property development RM	Others RM	Total RM
<b>2018</b>				
<b>Segment profit/(loss)</b>	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 credit/(expense)	584,829	(133,344)	-	451,485
<b>Segment assets</b>	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)



## 22. Operating segments (Cont'd)

### Geographical information (Cont'd)

	Group	
	External Revenue RM	Non-current assets RM
<b>2019</b>		
Malaysia	49,309,898	36,228,549
Asia (excluding Malaysia)	5,557,832	-
Europe	5,230,554	-
Others	808,492	-
	<u>60,906,776</u>	<u>36,228,549</u>
<b>2018</b>		
Malaysia	47,265,363	36,554,262
Asia (excluding Malaysia)	5,695,256	-
Europe	6,555,602	-
Others	937,954	-
	<u>60,454,175</u>	<u>36,554,262</u>

### Major customers

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

	2019 RM	2018 RM	Segment
Customer A	14,230,119	9,273,870	Construction and property development
Customer B	-	9,226,618	Precision engineering
Customer C	15,622,360	9,206,114	Precision engineering
Customer D	-	6,713,016	Precision engineering
Customer E	-	6,127,659	Precision engineering
	<u>-</u>	<u>6,127,659</u>	

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments

### 23.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 October 2019 categorised as follows:

- (a) Fair value through profit or loss ("FVTPL"); and  
- Designated upon initial recognition ("DUIR")
- (b) Amortised cost ("AC")

	Carrying amount RM	AC RM	FVTPL - DUIR RM
<b>2019</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	2,945,000	-	2,945,000
Trade and other receivables (excluding indirect tax refundable and prepayments)	12,007,112	12,007,112	-
Cash and cash equivalent	31,590,983	31,590,983	-
	<u>46,543,095</u>	<u>43,598,095</u>	<u>2,945,000</u>
<b>Company</b>			
Other investments	2,945,000	-	2,945,000
Trade and other receivables	69,940	69,940	-
Cash and cash equivalents	860,683	860,683	-
	<u>3,875,623</u>	<u>930,623</u>	<u>2,945,000</u>
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings		20,829,895	20,829,895
Trade and other payables		9,240,030	9,240,030
		<u>30,069,925</u>	<u>30,069,925</u>
<b>Company</b>			
Trade and other payables		1,222,053	1,222,053

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 23. Financial instruments (Cont'd)

### 23.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 October 2018 categorised as follows:

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

	Carrying amount RM	L&R RM	FVTPL – HFT RM
<b>2018</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	837,000	-	837,000
Trade and other receivables (excluding indirect tax refundable and prepayments)	11,415,021	11,415,021	-
Cash and cash equivalents	9,185,468	9,185,468	-
	<u>21,437,489</u>	<u>20,600,489</u>	<u>837,000</u>
<b>Company</b>			
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
<b>2018</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
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>
<b>Company</b>			
Trade and other payables		<u>1,101,048</u>	<u>1,101,048</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Group</b>				
Net gains/(losses) on:				
Financial assets at fair value through profit or loss				
- Designated upon initial recognition	1,547,243	-	1,547,243	-
- Held for trading	-	(537,019)	-	(537,019)
Financial assets at amortised cost	504,914	-	21,399	-
Financial liabilities at amortised cost	(802,075)	(304,481)	(11,981)	(1,707)
Loans and receivables	-	66,099	-	12,407
	<u>1,250,082</u>	<u>(775,401)</u>	<u>1,556,661</u>	<u>(526,319)</u>

### 23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 23.4 Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customer. 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. There are no significant changes as compared to prior periods.

#### Trade 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, credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 23. Financial instruments (Cont'd)

### 23.4 Credit risk (Cont'd)

#### Trade receivables (Cont'd)

##### Concentration of credit risk

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

	2019 RM	2018 RM
<b>Group</b>		
Domestic	10,655,076	9,608,961
Asia	596,096	745,254
Europe	372,211	153,962
Others	183,333	782,864
	<u>11,806,716</u>	<u>11,291,041</u>

##### Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments except for construction segment. Invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

For construction contracts, as there is only one customer, the Group assessed the risk of loss of the customer individually based on its financial information and past trend of payments, where applicable. The customer has low risk of default.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

### 23.4 Credit risk (Cont'd)

#### Trade receivables (Cont'd)

#### Recognition and measurement of impairment losses (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 October 2019.

	Gross carrying amount RM	2019 Loss allowance RM	Net balance RM
<b>Group</b>			
Current (not past due)	10,405,603	-	10,405,603
1 - 30 days past due	726,307	-	726,307
31 - 60 days past due	361,743	-	361,743
61 - 90 days past due	4,502	-	4,502
	<u>11,498,155</u>	-	<u>11,498,155</u>
<b>Credit impaired</b>			
More than 90 days past due	763,430	(454,869)	308,561
	<u>12,261,585</u>	<u>(454,869)</u>	<u>11,806,716</u>

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below.

	Trade receivables Credit impaired RM
Balance at 1 November 2018 as per MFRS 9	-
Net remeasurement of loss allowance	454,869
Balance at 31 October	<u>454,869</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 23. Financial instruments (Cont'd)

### 23.4 Credit risk (Cont'd)

#### Trade receivables (Cont'd)

Comparative information under MFRS 139, *Financial Instruments: Recognition and Measurement*

The aging of trade receivables as at 31 October 2018 was as follows:

	Gross RM	Individual impairment RM	Net RM
<b>Group</b>			
<b>2018</b>			
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
	<u>11,291,041</u>	<u>-</u>	<u>11,291,041</u>

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk other than 3 (2018 : 3) customers who collectively contributed 64% (2018 : 49%) of the Group's trade receivables as at the end of the reporting period.

#### Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

#### 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.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

### 23.4 Credit risk (Cont'd)

#### Financial guarantees (Cont'd)

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

The maximum exposure to credit risk amounts to RM20,382,000 (2018 : RM1,108,000) 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.

##### *Recognition and measurement of impairment loss*

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

#### Inter company advances

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

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

##### *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.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

##### *Recognition and measurement of impairment loss*

Generally, the Company considers advances to subsidiaries to be with low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances as at 31 October 2019:

	Gross carrying amount RM	Impairment loss allowances RM	Net balance RM
<b>Company</b>			
<b>2019</b>			
Low credit risk	66,633	-	66,633

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 23. Financial instruments (Cont'd)

### 23.5 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)

## 23. Financial instruments (Cont'd)

### 23.5 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.

2019	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Term loan	18,666,664	5.12	22,691,409	2,904,710	2,806,392	7,806,177	9,174,130
Finance lease liabilities	2,163,231	2.10 - 4.72	2,313,644	1,027,014	902,722	383,908	-
Trade and other payables	8,769,419	-	8,769,419	8,769,419	-	-	-
Other payable	470,611	3.18	480,000	480,000	-	-	-
	<b>30,069,925</b>		<b>34,254,472</b>	<b>13,181,143</b>	<b>3,709,114</b>	<b>8,190,085</b>	<b>9,174,130</b>
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	1,222,053	-	1,222,053	295,552	926,501	-	-
Financial guarantees	-	-	20,382,000	20,382,000	-	-	-
	<b>1,222,053</b>		<b>21,604,053</b>	<b>20,677,552</b>	<b>926,501</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

### 23.5 Liquidity risk (Cont'd)

#### Maturity analysis (Cont'd)

	2018	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
<b>Group</b>							
<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>
<b>Company</b>							
<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>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

### 23.6 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.

#### 23.6.1 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 are as follows:

	Denominated in USD RM
<b>Group</b>	
<b>2019</b>	
Trade receivables	2,953,220
Bank balances	1,020,073
Trade payables	(501,593)
<b>Net exposure</b>	<b>3,471,700</b>
<b>2018</b>	
Trade receivables	2,961,234
Bank balances	419,666
Trade payables	(649,055)
<b>Net exposure</b>	<b>2,731,845</b>

*Currency risk sensitivity analysis*

A 5% (2018: 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	
	2019 RM	2018 RM
<b>Group</b>		
USD	<b>(131,925)</b>	<b>(103,810)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 23. Financial instruments (Cont'd)

### 23.6 Market risk (Cont'd)

#### 23.6.1 Currency risk (Cont'd)

##### *Currency risk sensitivity analysis (Cont'd)*

A 5% (2018 : 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.

#### 23.6.2 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-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2019 RM	2018 RM
<b>Group</b>		
<b>Fixed rate instruments</b>		
Financial assets	23,060,920	4,400,000
Financial liabilities	(2,163,231)	(1,228,107)
	<u>20,897,689</u>	<u>3,171,893</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>(18,666,664)</u>	<u>-</u>

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

### 23.6 Market risk (Cont'd)

#### 23.6.2 Interest rate risk (Cont'd)

##### *Interest rate risk sensitivity analysis (Cont'd)*

##### *(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
	50 bp increase RM	50 bp decrease RM
<b>Group</b>		
<b>2019</b>		
Floating rate instruments	<u>(70,933)</u>	<u>70,933</u>

## 23. Financial instruments (Cont'd)

### 23.7 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 table below analyses other financial instruments at fair value.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>2019</b>										
<b>Financial liabilities</b>										
Other payables	-	-	-	-	-	-	(470,611)	(470,611)	(470,611)	(470,611)
Term loan	-	-	-	-	-	-	(18,666,664)	(18,666,664)	(18,666,664)	(18,666,664)
Finance lease liabilities	-	-	-	-	-	-	(2,018,219)	(2,018,219)	(2,018,219)	(2,163,231)
<b>2018</b>										
<b>Financial liabilities</b>										
Other payable	-	-	-	-	-	-	(813,914)	(813,914)	(813,914)	(813,914)
Finance lease liabilities	-	-	-	-	-	-	(1,217,467)	(1,217,467)	(1,217,467)	(1,228,107)
<b>Company</b>										
<b>2019</b>										
<b>Financial liabilities</b>										
Trade and other payable	-	-	-	-	-	-	(926,501)	(926,501)	(926,501)	(926,501)
<b>2018</b>										
<b>Financial liabilities</b>										
Trade and other payable	-	-	-	-	-	-	(933,721)	(933,721)	(933,721)	(933,721)



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Financial instruments (Cont'd)

### 23.7 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 (2018: 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.

## 24. 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.

## 25. Capital commitment - Group

	2019 RM	2018 RM
<b>Plant and equipment</b>		
Contracted but not provided for	<u>1,733,000</u>	<u>1,950,000</u>

## 26. Contingent liabilities - Company

The Company has given corporate guarantees of RM33,754,000 (2018 RM8,790,000) as security for banking facilities granted to certain subsidiaries of which RM20,382,000 (2018 : RM1,108,000) were utilised as at the end of the reporting period.

## 27. 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)



## 27. 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 32.316% 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 negotiated 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 14 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

	2019 RM	2018 RM
<b>Group</b>		
Project management fee	1,539,120	861,520
Office rental	14,400	13,200
Rental of machines and equipment	<u>335,800</u>	<u>-</u>

- ii) Transactions with subsidiaries

	2019 RM	2018 RM
<b>Company</b>		
Dividend income	3,844,070	4,252,464
Management fee received	<u>327,592</u>	<u>148,008</u>

- iii) Transactions with key management personnel

There were no transactions with key management personnel other than as disclosed in Note 17 to the financial statements.

## 28. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 28. Significant changes in accounting policies (Cont'd)

### 28.1 Impacts on financial statements

The adoption of MFRS 15 and MFRS 9 does not have any material financial impacts to the Group's and the Company's financial statements.

### 28.2 Accounting for financial instruments

#### a. Transition

In the adoption of MFRS 9, the transitional exemptions as permitted by the standard have been adopted:

- (i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements.
- (ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
  - the determination of the business model within which a financial asset is held; and
  - the designation of other investments held for trading as at fair value through profit or loss.
- (iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

## 28. Significant changes in accounting policies (Cont'd)

### 28.2 Accounting for financial instruments (Cont'd)

#### b. Classification of financial assets on the date of initial application of MFRS 9:

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets as at 1 November 2018:

Category under MFRS 139	1 November 2018			Notes
	31 October 2018 RM	Remeasurement RM	Reclassification to new MFRS 9 category Amortised cost ("AC") RM	
<b>Group</b>				
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Trade and other receivables (excluding indirect tax refundable and prepayments)	11,415,021	-	11,415,021	-
Cash and cash equivalents	9,185,468	-	9,185,468	-
	20,600,489	-	20,600,489	-
<b>Fair value through profit or loss - held-for-trading</b>				
Other investments	837,000	-	-	837,000
<b>Company</b>				
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Trade and other receivables	18,520	-	18,520	-
Cash and cash equivalents	129,180	-	129,180	-
	147,700	-	147,700	-
<b>Fair value through profit or loss - held-for-trading</b>				
Other investments	837,000	-	-	837,000

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 28. Significant changes in accounting policies (Cont'd)

### 28.2 Accounting for financial instruments (Cont'd)

#### b. Classification of financial assets on the date of initial application of MFRS 9: (Cont'd)

##### (i) Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and cash equivalents that were classified as "loans and receivables" under MFRS 139 are now classified as "amortised cost".

##### (ii) Reclassification from fair value through profit or loss - held for trading to designated upon initial recognition

Other investments are investments that the Group intends to hold for trading purposes. As permitted by MFRS 9, the Group has designated these investments as measured at "fair value through profit or loss" at the date of initial application.

# 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 52 to 116 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 2019 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 : 18 February 2020

# 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 52 to 116 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 18 February 2020.

.....

**Yong Loy Huat**

Before me:

Goh Suan Bee (No. P125)  
Commissioner for Oaths  
Penang

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WONG ENGINEERING CORPORATION BERHAD  
Registration No.: 199601037606 (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 2019 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 52 to 116.

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 2019, 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 2019 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 2019 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.

# INDEPENDENT AUDITORS' REPORT (Cont'd)

TO THE MEMBERS OF WONG ENGINEERING CORPORATION BERHAD  
Registration No.: 199601037606 (409959 - W)  
(Incorporated in Malaysia)



## **Assessment on recognition of deferred tax assets**

Refer to the accounting policy in Note 1(d)(i) Basis of preparation - use of estimates and judgements, and Note 6 - Deferred tax assets to the financial statements.

## **The key audit matter**

Since year of assessment 2018, the Group will no longer be able to recognise deferred tax assets on any unutilised reinvestment allowance and tax losses which are not utilised within seven years.

Hence, the Group performed assessments by forecasting seven years of taxable profits to determine the appropriate amounts of deferred tax assets to be recognised.

This is one of the key audit matters because it requires significant judgements and involvement of our more experience personnel in assessing the assumptions and judgements applied by the Group to determine the recognition of the deferred tax assets.

## **How the matter was addressed in our audit**

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

- Evaluated historical forecasting accuracy by comparing the prior year's projected profits to actual results reported;
- Evaluated the key assumptions adopted, in particular, those relating to sales growth and gross profit margin, to determine reasonableness by comparing them with historical performance, and internal and external sources of information; and
- Determined that the Group recognised the carrying amount of deferred tax asset to the extent that it becomes probable that sufficient taxable profits would be available to utilise reinvestment allowances before they expire.

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.

## **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.



# **INDEPENDENT AUDITORS' REPORT** (Cont'd)

**TO THE MEMBERS OF WONG ENGINEERING CORPORATION BERHAD**  
**Registration No.: 199601037606 (409959 - W)**  
**(Incorporated in Malaysia)**

## **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.
- 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.

**INDEPENDENT AUDITORS' REPORT** (Cont'd)  
TO THE MEMBERS OF WONG ENGINEERING CORPORATION BERHAD  
Registration No.: 199601037606 (409959 - W)  
(Incorporated in Malaysia)



**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

Penang

Date: 18 February 2020

**Lee Phaik Im**  
Approval Number : 03177/05/2021 J  
Chartered Accountant

## LIST OF GROUP PROPERTIES

Location	Description	Land area/ Built-up Area	Tenure	Age of Building	Carrying amount as at 31 October 2019 RM'000	Date of Acquisition
H.S (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	41 years	436	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	21 years	20,585	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	16 years	466	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	28 years	66	13/11/96

# SHAREHOLDINGS STATISTICS

as at 29 January 2020

Issued Share Capital : 114,609,993 Ordinary Shares (including 1,818,200 treasury shares)  
 Class of Share : Ordinary Shares  
 No. of Shareholders : 1,559  
 Voting Rights : One vote per Ordinary Share

## Distribution of Shareholdings

Size of Holdings	No. of Holders	%	No. of Shares	%
1 -	99	52	2,139	0.001
100 -	1,000	77	36,474	0.032
1,001 -	10,000	844	3,784,526	3.355
10,001 -	100,000	490	13,907,600	12.330
100,001 -	5,639,588 (*)	93	50,927,304	45.151
5,639,589 and above (**)	3	0.192	44,133,750	39.128
Total:	1,559	100.00	112,791,793	100.00

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	32.52	-	-
Ong Yoong Nyock	5,625,000	4.99	36,678,875*	32.52*
Yong Kwee Lian	-	-	36,678,875*	32.52*
Yong Loy Huat	22,141,125	19.63	-	-

\* Deemed interest pursuant to 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	22,141,125	19.63	-	-
Chang Joo Huat	75,000	0.07	-	-
Anstey Yong Lee Teen	1,875,000	1.66	-	-
Low Seong Chuan	12,500	0.01	-	-
Eng Teik Hiang	-	-	248,750*	0.22*
Lau Chia En	-	-	-	-

\* Held in the name of spouse and is treated as interest of the Director in accordance with Section 59(11)(c) of the Companies Act 2016.

# SHAREHOLDERS STATISTICS (Cont'd)

as at 29 January 2020

## LIST OF TOP 30 HOLDERS AS AT 29/01/2020

NO	NAME	HOLDINGS	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	26,633,750	23.613
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT (7000875)	9,125,000	8.090
3	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT	8,375,000	7.425
4	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK	5,625,000	4.987
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	5,000,000	4.432
6	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD	5,000,000	4.432
7	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT	4,641,125	4.114
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN BOON AIK	1,903,500	1.687
9	ANSTEY YONG LEE TEEN	1,875,000	1.662
10	NG SWEE YING @ NG SOOI YING	1,250,000	1.108
11	WONG QUIN EE, QUEENIE	1,165,625	1.033
12	TEH SAW PIN	999,900	0.886
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PHUA SIN MO	913,750	0.810
14	TAN GUEK HUWA	908,125	0.805
15	TAN PAK NANG	850,000	0.753
16	TAY HONG SING	839,500	0.744
17	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG TEIK KAI	781,250	0.692
18	TAN CHIN HOCK	644,075	0.571
19	WONG KEM CHEW	618,332	0.548
20	TEO KWEE HOCK	532,275	0.471
21	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG TEIK KAI	500,000	0.443
22	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHU LIONG	455,000	0.403
23	WONG KAM HOOI	448,330	0.397
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG BOON LONG (E-TSA)	437,500	0.387
25	SHIANGLY BUILDER SDN. BHD.	431,250	0.382
26	TAN BOON SIANG	419,375	0.371
27	CHEONG BOON LONG	418,750	0.371
28	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH ENG HUA	400,000	0.354
29	TAN SZE LAN	400,000	0.354
30	NG LINDA	397,500	0.352



No. of Shares held	CDS Account No.

\*I/We ..... \*NRIC No./Passport No./Company No. ....  
of .....  
and telephone no./email address ..... being a \*member/members of Wong Engineering Corporation Berhad (the "Company"), hereby appoint

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

\* and/or

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

or failing \*him/her, the CHAIRMAN OF THE MEETING as \*my/our \*proxy/proxies, to vote for \*me/us and on \*my/our behalf at the Twenty-Third Annual General Meeting of the Company to be held at Auditorium Room, Level 4, Lot 30462, Jalan Kempas Baru, 81200 Johor Bahru, Johor on Wednesday, 25 March 2020 at 9.30 am, or at any adjournment thereof.

Please indicate with an "X" in the appropriate space(s) provided below on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at \*his/her discretion.

Resolutions	For	Against
1. To approve a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 October 2019.		
2. To approve the payment of Directors' Fees totaling RM300,000 for the period from this Annual General Meeting ("AGM") until the next AGM in 2021.		
3. To approve the payment of benefits payable of up to RM50,000 for the period from this AGM until the next AGM in 2021.		
To re-elect the following Directors retiring pursuant to Clause 103 of the Company's Constitution and being eligible, offer themselves for re-election:		
4. Datuk Haji Muhamad Shapiae Bin Mat Ali		
5. Chang Joo Huat		
6. To re-appoint KPMG PLT as Auditors of the Company until the next AGM of the Company and to authorize the Directors to fix their remuneration.		
7. Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
8. Proposed Renewal of Authority to Buy-Back its Own Shares by the Company.		
9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2020

Signature of Member/Common Seal

*\*Strike out whichever is not desired.*

**Notes:**

1. A proxy must be of full age. A proxy may but need not be a member.

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 for holding the meeting PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the member(s).

2. A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than 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.
4. Where a member 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 authorized nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. If the appointor is a corporation the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorized.
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 18 March 2020 and only a Depositor whose name appears on such ROD shall be eligible to attend this meeting or appoint proxy to attend and/or vote on his/her behalf.

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**STAMP**

The Joint Company Secretaries  
**WONG ENGINEERING CORPORATION BERHAD**  
Registration No. 199601037606 (409959-W)  
170-09-01, Livingston Tower,  
Jalan Argyll,  
10050 George Town, Pulau Pinang, Malaysia.

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**WE WONG ENGINEERING CORPORATION BERHAD**

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