



WONG ENGINEERING CORPORATION BERHAD
(Company No. 409959 – W)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THREE MONTHS ENDED
31 JANUARY 2011

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and the applicable disclosure provision of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 October 2010.

The preparation of an interim financial report in conformity with FRS134, Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of polices and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 October 2010. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRS.

2. Changes in accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 October 2009 except for the adoption of the following:

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2010

FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate



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Amendments to FRS 132	Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation - Separation of Compound Instruments
Amendments to FRS 139	Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets
Improvement to FRSs (2009)	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 March 2010

Amendments to FRS 132 Financial instruments: Presentation Classification of Right Issues

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standard (revised)
FRS 3	Business Combination (revised)
FRS 127	Consolidation and Separate Financial Statement (revised)
Amendments to FRS 5	Non-current Assets Held for sale and Discontinued Operations
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The adoption of above standards, amendments and interpretations do not have significant impact on the financial statements of the Group, other than as explained below:

a) FRS 101 Presentation of Financial Statement (revised)

The revised new FRS101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present this statement as a single statement.

This is a disclosure standard with no impact on the financial performance and position of the Group.



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b) FRS 117 Leases

FRS 117 clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, lease of land should be classified as finance or operating, using the principles of FRS 117. The Group has reassessed and determined that all leasehold land of the Group are in substance finance lease and has reclassified the leasehold land to property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of this FRS amendment. The following comparative figures have been restated following the adoption of the amendment to FRS 117:

	As stated RM'000	31 October 2010 As previously stated RM'000
Carrying amount		
Property, Plant and Equipment	46,240	42,191
Prepaid lease payments	-	4,049

3. Audit qualification

There were no qualifications on the audit report of the financial statements for the financial year ended 31 October 2010.

4. Seasonal or cyclical factors

Generally, the Group would perform better in the second half of the financial year due to higher seasonal demand from multinational customers towards the end of the calendar year.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period under review.

6. Changes in estimates

There was no material changes in the estimates used for the preparation of this interim financial report.



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7. Changes in debts and equity securities

For the current quarter to date, no ordinary shares were purchased on the market of the Exchange.

The details of the treasury shares held as at 31 January 2011 are as follows:-

	Number of Shares	Total Amount Paid RM
Balance of treasury shares as at 01 November 2010	1,853,000	888,963
Shares bought back during the period	-	-
Balance of treasury shares as at 31 January 2011	<u>1,853,000</u>	<u>888,963</u>

All the shares bought are retained as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

The treasury shares held had been accounted for on the cost method. The amount of consideration paid including directly attributable costs, is recognised as costs and set off against equity.

8. Dividends paid

No dividend was paid during the financial quarter ended 31 January 2011 (31 January 2010 : Nil).

9. Segmental revenue and results

The Group's business segment comprises manufacturing and sale of high precision metal sheet fabrication and assembly, high precision turned metal components, semi-conductor tools and consumables parts.

Business segmental information has not been prepared as all the Group's revenue and operating profit are mainly confined to one business segment.

10. Property, plant and equipment

The property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at valuation.

During the 3 months ended 31 January 2011, the Group acquired plant and equipment with an aggregate cost of RM1,631,000 (3 months ended 31 January 2010: RM477,000) of which RM438,000 was paid by cash (3 months ended 31 January 2010: RM477,000 by cash). The balance of RM1,193,000 was acquired by means of hire purchase.



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During the 3 months ended 31 January 2011, the Group disposed of plant and equipment with nil book value resulting in a gain of RM130,000 (3 months ended 31 January 2010: there was no disposal of plant and equipment).

The valuation of property, plant and equipment was brought forward without any amendment from the previous annual financial statements.

11. Material post balance sheet date events

There were no items, transactions or events of a material and unusual nature which have arisen from the balance sheet date to the date of announcement which would have substantially affected the results for the Group in this interim financial report.

12. Changes in Group's composition

There were no changes in the composition of the Group during the quarter under review except that one of the subsidiaries, WE Advance Devices Sdn. Bhd. has been officially struck off the register by the Registrar of Companies Commission of Malaysia pursuant to Section 308(2) of Companies Act 1965.

13. Changes in contingent liabilities and assets

There were no contingent liabilities and assets at the end of the reporting period except for the corporate guarantee issued to financial institutions for credit facilities and hire purchase facilities granted to the subsidiaries amounting to RM28,480,500 and RM1,090,000 respectively (31 January 2010: Credit facility RM25,480,500, Hire purchase RM74,000).

14. Review of performance for current quarter and financial year-to-date against the immediate preceding year

For the quarter under review as compared to its preceding year corresponding quarter, there was an increase in profit before tax of RM357,000 from loss before tax of RM124,000 to profit before tax of RM233,000 due to the increase of revenue.

15. Commentaries on profit before tax for current quarter as compared with the immediate preceding quarter

The Group's profit before tax in the current quarter increased to RM233,000 from a loss before tax of RM2,227,000 suffered in the immediate preceding quarter mainly due to better management of operating costs in current quarter as compared to immediate preceding quarter.

16. Prospects

The Group is optimistic that its performance will remain satisfactory in the remaining quarters of this financial year as the Group continues to diversify its revenue streams in industry and customer base.



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17. Variance of profit forecast

The Group did not publish any profit forecast for the period under review.

18. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 January 11 (Unaudited) RM'000	Preceding year quarter 31 January 10 (Unaudited) RM'000	Cumulative year to date 31 January 11 (Unaudited) RM'000	Preceding year quarter 31 January 10 (Unaudited) RM'000
Tax expense				
- current tax	-	-	-	-
- prior year tax	-	-	-	-
Deferred tax				
- origination of temporary differences	-	-	-	-
- prior year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

19. Profit/(Loss) on sale of unquoted investment and properties for the current quarter and financial year to date

There was no disposal of unquoted investment and property for the period under review.

20. Purchase or disposal of quoted securities

The Group did not purchase or dispose of any quoted securities during the period under review.
The Group does not have any quoted securities as at the end of the current quarter.

21. Status of corporate proposals

There is no corporate proposal announced or uncompleted as at the date of this announcement.



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22. Bank borrowings

The bank borrowings as at 31 January 2011 are as follows:

	31 January 11 <u>(Unaudited)</u> RM'000	31 October 10 <u>(Unaudited)</u> RM'000
Current:		
Hire Purchase	500	249
Term Loan	<u>31</u>	<u>112</u>
	<u>531</u>	<u>361</u>
Non-Current		
Hire Purchase	590	419
Term Loan	<u>-</u>	<u>-</u>
	<u>590</u>	<u>419</u>

23. Off balance sheet financial instruments

The Group did not enter into any contract involving off balance sheet financial instruments as at the date of this report.

24. Changes in material litigation

The Group was not engaged in any material litigation for the current financial year to date.

25. Proposed dividends

The directors do not recommended any interim dividend for the financial period ended 31 January 2011.



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26. Profit per share

Basic Profit per share

The basic profits per share of the Group are calculated by dividing the net profit for the current period to date by the ordinary shares in issue after excluding treasury shares.

	Current Quarter 31 January 11 <u>(Unaudited)</u>	Cumulative Quarter 31 January 11 <u>(Unaudited)</u>
Net profit for the period attributable to shareholders (RM'000)	145	145
Shares in circulation ('000)	89,835	89,835
Basic profit per ordinary share (sen)	0.16	0.16

27. Related party transactions

There were no significant related party transactions during the quarter under review.

28. Realised and unrealised profits/losses Disclosure

The retained profits as at 31 January 2011 and 31 October 2010 are analyzed as follows:

	Current Quarter 31 January 11 <u>(Unaudited)</u>	Immediate Preceding Quarter 31 October 10 <u>(Audited)</u>
Total retained profits of the Company and the subsidiaries:		
- Realised	6,474,372	6,340,199
- Unrealised	(71,244)	(82,205)
Total group retained profits as per consolidated financial statements	6,403,128	6,257,994

By order of the board

Dato' Wong Kem Woh
Chairman & Chief Executive Officer

25 March 2011