



**WONG ENGINEERING CORPORATION BERHAD
AND ITS SUBSIDIARIES**
(Company No. 409959 – W)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THREE MONTHS ENDED 31 JANUARY 2019**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Jan 2019 (RM'000)	PRECEDING YEAR CORRESPONDING QUARTER 31 Jan 2018 (RM'000)	CURRENT YEAR TO DATE 31 Jan 2019 (RM'000)	PRECEDING YEAR CORRESPONDING TO DATE 31 Jan 2018 (RM'000)
Continuing operations				
Revenue	12,761	12,540	12,761	12,540
Operating profit	450	4,191	450	4,191
Finance Cost	(30)	(69)	(30)	(69)
Interest Income	47	16	47	16
Profit before tax	467	4,138	467	4,138
Tax expense	(10)	254	(10)	254
Profit for the period	457	4,392	457	4,392
Other comprehensive income/(expense), net of tax	-	-	-	-
Total comprehensive income/(expenses)	457	4,392	457	4,392
Profit/(Loss) for the year representing total comprehensive income/(expenses) for the year attributable to:				
Owners of the Company	458	4,389	458	4,389
Non-controlling interest	(1)	3	(1)	3
	457	4,392	457	4,392
Basic earnings per ordinary share (sen) – Note 23	0.48	4.79	0.48	4.79

The condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 October 2018 and the accompanying explanatory notes set out on pages 5 to 12 which forms an integral part of this interim financial report.



**WONG ENGINEERING CORPORATION BERHAD
AND ITS SUBSIDIARIES**
(Company No. 409959 – W)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019

	Note	(Unaudited) As at end of current quarter 31 Jan 2019 RM'000	(Audited) As at preceding financial year end 31 Oct 2018 RM'000
ASSETS			
Property, plant and equipment		37,472	36,047
Investment properties		506	507
Deferred tax asset		2,699	2,699
Total non-current assets		<u>40,677</u>	<u>39,253</u>
Inventories		12,992	13,047
Other investments		1,836	837
Trade and other receivables		12,364	12,572
Current tax assets		365	317
Cash and cash equivalents		28,843	9,185
Total current assets		<u>56,400</u>	<u>35,958</u>
Total Assets		<u>97,077</u>	<u>75,211</u>
EQUITY			
Share capital		57,909	57,909
Treasury shares		(681)	(368)
Reserves		8,281	7,823
Total equity attributable to equity holders of the Company		<u>65,509</u>	<u>65,364</u>
Non-controlling interest		49	50
Total equity		<u>65,558</u>	<u>65,414</u>
LIABILITIES			
Other payables		355	471
Bank borrowings	20	19,920	529
Total non-current liabilities		<u>20,275</u>	<u>1,000</u>
Trade and other payables		7,974	8,006
Bank borrowings	20	3,244	699
Current tax liabilities		26	92
Total current liabilities		<u>11,244</u>	<u>8,797</u>
Total liabilities		<u>31,519</u>	<u>9,797</u>
Total equity and liabilities		<u>97,077</u>	<u>75,211</u>
Net asset per share attributable to ordinary equity holders of the Company (RM)		<u>0.68</u>	<u>0.71</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 October 2018 and the accompanying explanatory notes set out on pages 5 to 12 which forms an integral part of this interim financial report.



**WONG ENGINEERING CORPORATION BERHAD
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JANUARY 2019**

(The figures have not been audited)

	Non-Distributable		Distributable			
	----- Attributable to shareholders of the Company -----					
	Share Capital	Treasury Shares	Retained Earnings/ (Accumulated Losses)	Total	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31 January 2019 (Unaudited)						
At 1 November 2018	57,909	(368)	7,823	65,364	50	65,414
Total comprehensive income for the period	-	-	458	458	(1)	457
Total comprehensive income/(expenses) for the period	57,909	(368)	8,281	65,822	49	65,871
Purchase of treasury shares	-	(313)	-	(313)	-	(313)
Dividends paid	-	-	-	-	-	-
Total transactions with owners of the Company	-	(313)	-	(313)	-	(313)
At 31 January 2019	57,909	(681)	8,281	65,509	49	65,558
3 months ended 31 January 2018 (Unaudited)						
At 1 November 2017	57,909	(70)	1,890	59,729	77	59,806
Total comprehensive income for the period	-	-	4,389	4,389	3	4,392
Total comprehensive income/(expenses) for the period	57,909	(70)	6,279	64,118	80	64,198
Purchase of treasury shares	-	-	-	-	-	-
Dividend paid	-	-	-	-	(30)	(30)
Total transactions with owners of the Company	-	-	-	-	(30)	(30)
At 31 January 2018	57,909	(70)	6,279	64,118	50	64,168

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 October 2018 and the accompanying explanatory notes set out on pages 5 to 12 which forms an integral part of this interim financial report.



**WONG ENGINEERING CORPORATION BERHAD
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDED 31 JANUARY 2019**

	Unaudited 31 Jan 2019 RM'000	Unaudited 31 Jan 2018 RM'000
Profit/(Loss) before tax from continuing operations	467	4,138
Adjustment for:		
Non-cash items	762	1,041
Non-operating items	(253)	(2,116)
Operating profit before changes in working capital	976	3,063
Changes in working capital		
- Net changes in current assets	262	(1,055)
- Net changes in current liabilities	(148)	(671)
Dividend received	33	-
Tax (paid)/refund	(124)	(7)
Net cash from operating activities	999	1,330
Cash flow from investing activities		
- Purchase of machinery and equipment (Note 1)	(353)	(124)
- Proceeds from disposal of machinery and equipment	328	5,050
- Interest received	47	16
- Addition of other investments	(813)	-
Net cash (used in)/from investing activities	(791)	4,942
Cash flow from financing activities		
- Repayment of other payables	-	-
- Repayment of hire purchase obligations	(207)	(410)
- Drawdown/(Repayment) of other borrowings	20,000	-
- Dividend paid	-	(30)
- Purchase of treasury shares	(313)	-
- Interest paid	(30)	(69)
Net cash (used in)/from financing activities	19,450	(509)
Net increase in cash and cash equivalents	19,658	5,763
Cash and cash equivalents at the beginning of financial period	9,185	3,685
Cash and cash equivalents at end of financial period	28,843	9,448

Note - Cash and cash equivalents included in the condensed consolidated cash flow statement comprise the following

Short term deposit placed with licensed banks	RM'000	26,200	130
Cash and bank balances	RM'000	2,643	9,318
		28,843	9,448

Note 1

For the period 3 months ended 31 January 2019, the Group acquired machinery and equipment (M&E) with an aggregate cost of RM2,496,000 (3 months ended 31 January 2018: RM124,000) of which RM353,000 was paid by cash (3 months ended 31 January 2018: RM124,000 by cash). The remaining M&E with an aggregate cost of RM2,143,000 were acquired by means of hire purchase (3 months ended 31 January 2018: RM Nil).

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 October 2018 and the accompanying explanatory notes set out on pages 5 to 12 which forms an integral part of this interim financial report.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

Part A: Explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134

1. Basis of preparation

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 October 2018 (“FYE18”). The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent audited financial statements for FYE18 except for adoption of the following accounting standards, amendments and interpretations that have been issued by the MASB and effective for this financial year:

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

- MFRS 9, *Financial Instruments*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarification to MFRS 15, *Revenue from Contracts with Customers*

The adoptions of these standards, amendments and interpretations have no material impact to this interim financial report.

2. Audit qualification

There was no qualification on the audit report of the financial statements for the financial year ended 31 October 2018.

3. Seasonal or cyclical factors

The Group’s result is not significantly affected by any seasonal factors.

4. 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.

5. Changes in estimates

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



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

6. Changes in debt and equity securities

There were no issuance or repayment of debt and equity securities, share buy-backs and share cancellations for the current financial period except for the following:

During the financial period ended 31 January 2019, the Company repurchased 393,700 of its issued share capital from the open market for an average price of RM0.796 per share. The repurchased transactions were financed by internally generated funds. All the shares bought are retained as treasury shares in accordance with the requirements of Section 127 of the Companies Act, 2016. The treasury shares held had been accounted for using cost method. The amount of consideration paid, including directly attributable costs, is recognised as costs and set off against equity. Besides that, the Company received 222,000 of bonus shares from the bonus issue exercise which was completed on 11 January 2019.

The details of the treasury shares held as at 31 January 2019 are as follow:

	Number of shares	Total Amount (RM)
Balance of treasury shares as at 1 November 2018	494,300	368,330
Shares bought back during the period	393,700	313,203
Bonus shares received	222,000	-
Balance of treasury shares as at 31 January 2019	1,110,000	681,533

7. Dividends paid

No dividend was paid during the financial period ended 31 January 2019.

8. Segmental revenue and results

For the purpose of management, the Group is organized into four operating segments which are manufacturing and sales of high precision stamped and turned metal parts, trading of environmental and health product, construction and property development (PD) and investment. For financial reporting purposes, the first two segments are combined and referred to as “Manufacturing” because both segments exhibit similar long-term performance. The following is an analysis of the Group’s revenue and results by the reportable business segments for the period ended 31 October 2018.

	Individual quarter for 3 months ended 31 January							
	Manufacturing		Construction & PD		Investment		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	11,646	12,540	1,082	-	33	-	12,761	12,540
Segment profit/ (loss) before tax	206	4,138	48	-	213	-	467	4,138
Depreciation and amortisation	946	1,041	1	-	-	-	947	1,041
Capital investment	2,475	124	21	-	-	-	2,496	124



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

Segmental revenue and results (cont'd)

	Manufacturing		Cumulative quarter for 3 months ended 31 January				Total	
	2019	2018	Construction & PD		Investment		2019	2018
	RM'000	RM'000	2019	2018	2019	2018	RM'000	RM'000
Revenue	11,646	12,540	1,082	-	33	-	12,761	12,540
Segment profit/ (loss) before tax	206	4,138	48	-	213	-	467	4,138
Depreciation and amortisation	946	1,041	1	-	-	-	947	1,041
Capital investment	2,475	124	21	-	-	-	2,496	124

Revenue shown above represents revenue generated from external customers.

There are no comparative figures for construction and PD segment for 3 months ended 31 January 2019 as this was a new segment adopted during the quarter ended 30 April 2018. No comparative figures were provided for investment segment as this was a new segment adopted during the quarter ended 31 October 2018.

Segment total asset is used to measure the return on assets of each segment. Assets are allocated directly to reportable segments except for tax recoverable and deferred tax asset as these are managed on a group basis. These are reflected under unallocated assets. Segment liabilities information is neither included in the internal management reports nor provided regularly to the management. Hence, no disclosure is made on segment liability.

	Manufacturing 31 Jan 2019 RM'000	Construction & PD 31 Jan 2019 RM'000	Investment 31 Jan 2019 RM'000	Unallocated assets 31 Jan 2019 RM'000	Total 31 Jan 2019 RM'000
Segment asset	88,950	3,227	1,836	3,064	97,077
	Manufacturing 31 Oct 2018 RM'000	Construction & PD 31 Oct 2018 RM'000	Investment 31 Oct 2018 RM'000	Unallocated assets 31 Oct 2018 RM'000	Total 31 Oct 2018 RM'000
Segment asset	68,103	3,255	837	3,016	75,211

The following is an analysis of the Group's revenue on the basis of geographical location of customers. Segmental assets are also based on the geographical locations of assets. The amounts of non-current assets do not include financial instruments and deferred tax assets

	Asia				Consolidated Total RM'000
	Malaysia RM'000	Outside Malaysia RM'000	Europe RM'000	Others RM'000	
Revenue from external customers	9,913	1,526	1,144	177	12,761
Non-current assets	37,978	-	-	-	37,978



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

9. Operating profit

Operating profit is derived as:

	Current Quarter 31 January 2019 (Unaudited) RM	Current Year to Date 31 January 2019 (Unaudited) RM
After charging:		
Depreciation of property, plant and equipment	945,396	945,396
Depreciation of investment properties	1,313	1,313
Interest expense	29,886	29,886
Loss on foreign exchange – unrealised	6,913	6,913
Fixed assets written off	1,103	1,103
And crediting:		
Interest income	46,642	46,642
Gain on foreign exchange – realised	8,513	8,513
Gain on fair value on other investments	186,127	186,127
Gain on disposal of machinery and equipment	203,142	203,142

10. Material post balance sheet 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 of the Group in this interim financial report.

11. Changes in Group's composition

There were no changes in the composition of the Group during the quarter under review.

12. Changes in contingent liabilities and assets

The Company has given corporate guarantees of RM35,054,000 (31 January 2018: RM6,604,000) as security for banking facilities granted to certain subsidiaries of which RM23,164,000 (31 January 2018: RM2,707,000) were utilised as at the end of the reporting period.

13. Capital commitments

	31 January 2019 RM'000 (Unaudited)
Capital expenditure commitments	
Plant & equipment	
- Contracted but not provided for in the financial statements	<u>179</u>



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

Part B: Additional Information Required by Bursa Malaysia Securities Berhad’s Listing Requirements.

14. Review of performance for current quarter and preceding year corresponding quarter

Group performance

	Individual Quarter 3 months ended 31 January				Cumulative Quarter 3 months ended 31 January			
	2019	2018	Variance		2019	2018	Variance	
	RM'000	RM'000	RM'000	(%)	RM'000	RM'000	RM'000	(%)
Revenue	12,761	12,540	221	↑2%	12,761	12,540	221	↑2%
Profit before tax	467	4,138	-3,671	↓89%	467	4,138	-3,671	↓89%

The Group recorded revenue of RM12.76 million for the current quarter ended 31 January 2019, an increase of RM0.22 million (+2%) as compared to RM12.54 million recorded in the preceding year corresponding quarter. The growth was contributed mainly by revenue from construction and PD segment.

The Group’s reported profit before tax of RM0.47 million; RM3.67 million (-89%) lower against RM4.14 million recorded in the preceding year corresponding quarter. This was largely due to the one-off gain on disposal of asset completed in the preceding year corresponding quarter. Other factors leading to a lower profit before tax was due to lower sales from Manufacturing, higher input cost and variation in product mix.

Segmental performance

	Individual quarter for 3 months ended 31 October								
	Manufacturing			Construction & PD			Investment		
	2019	2018	Variance	2019	2018	Variance	2019	2018	Variance
RM'000	RM'000	RM'000 %	RM'000	RM'000	RM'000 %	RM'000	RM'000	RM'000 %	
Revenue	11,646	12,540	-894 ↓3%	1,082	-	1,082 ↑100%	33	-	33 ↑100%
Profit before tax	206	4,138	-3,932 ↓95%	48	-	48 ↑100%	213	-	213 ↑100%

Manufacturing

Revenue has decreased by RM0.89 million (-3%) due to a decline in export sales to Europe driven by lower customer demand and inventory stock up in prior quarters. Profit before tax reduced by approximately RM3.93 million (-95%) largely due to the one-off gain from asset disposal, decline in export sales, higher input cost and variation in product mix.

Construction & PD

There is no comparison in revenue and profit before tax as this is a new segment adopted during the quarter ended 30 April 2018. The main revenue contributor is progress billing from the construction project at Kuchai Lama, Kuala Lumpur.

Investment

There is no comparison in revenue and profit before tax as this is a new segment adopted during the quarter ended 31 October 2018. The profit before tax was driven by gain on fair value on the Group’s investment in quoted shares as at 31 January 2019.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

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

Group performance

	Current Year Quarter 31 Jan 2019 RM'000	Immediate Preceding Quarter 31 Oct 2018 RM'000	Variance RM'000 %
Revenue	12,761	15,966	-3,205 ↓20%
Profit before tax	487	807	-340 ↓42%

The Group's revenue decreased RM3.21 million (-20%), from RM15.97 million in the immediate preceding quarter to RM12.76 million in the current quarter. The drop was due to lower revenue from both manufacturing and construction and PD segment. The Group's profit before tax of RM0.49 million decreased by RM0.34 million (-42%) largely due to the lower revenue.

Segmental performance

	Manufacturing			Construction & PD			Investment		
	31 Jan 2019 RM'000	31 Oct 2018 RM'000	Variance RM'000 %	31 Jan 2019 RM'000	31 Oct 2018 RM'000	Variance RM'000 %	31 Jan 2019 RM'000	31 Oct 2018 RM'000	Variance RM'000 %
Revenue	11,646	13,161	-1,515 ↓12%	1,082	2,793	-1711 ↓61%	33	12	21 ↑175%
Profit/(Loss) before tax	206	1,112	-906 ↓ 82%	48	220	-172 ↓78%	213	(525)	738 ↑141%

Manufacturing

Revenue declined by RM1.52 million (-12%) driven by a slowdown in demand from customers from electrical and electronics (E&E) industry and inventory stock up in prior quarters. Consequently, profit before tax reduced to RM0.21 million, down RM0.91 million driven by the challenges of higher input cost and lower factory utilisation. The management is working to address the rising cost by reducing waste and driving for higher operating efficiency and productivity.

Construction & PD

Revenue has decreased by RM1.71 million (-61%) due to slower progress of work completion. Consequently, the profit before tax has dropped in line with the lower revenue recorded.

Investment

The increased revenue is due to dividend received. The profit before tax was largely driven by the fair value gain in the Group's investment in quoted shares as at 31 January 2019.

16. Prospects

Looking ahead, growth outlook for the Manufacturing segment is expected to moderate and soften in view of the global slowdown in demand from customers in the electrical and electronics (E&E) sector. With softening global trade and heightened uncertainty, the management is actively seeking new opportunities to grow and expand our customer base while driving efforts to prudently manage operating cost and cash flow to better contend with stiffer competition. For Construction and PD, management anticipates higher progress billing for the project in Kuchai Lama in the coming quarters besides cautiously seeking out new projects in view of the current property overhang. Overall, barring any unforeseen circumstances, the Board of Directors is optimistic that the performance of the Group shall remain positive for the remaining quarters of the financial year ending 2019.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

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	
	3 months ended 31 January 2019	3 months ended 31 January 2018	3 months ended 31 January 2019	3 months ended 31 January 2018
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax expense				
- current year tax	10	102	10	102
- prior year tax	-	-	-	-
Deferred tax				
- origination and reversal of temporary differences	-	-	-	-
- prior year	-	(356)	-	(356)
	<u>10</u>	<u>(254)</u>	<u>10</u>	<u>(254)</u>

19. Status of corporate proposals

There were no significant corporate proposals for the current financial period to date except as follows:

On 20 September 2018, the Company announced a proposed bonus issue of up to 22,922,000 new ordinary shares in WECB ("WEC share(s)") on the basis of 1 bonus WEC share for every 4 existing WEC shares. The Proposed Bonus Issue was approved by Bursa Securities on 22 November 2018 and subsequently approved by shareholders at an Extraordinary General Meeting ("EGM") held on 19 December 2018. The bonus shares were credited into the shareholders' accounts on 10 January 2019. The exercise was completed with the listing of the bonus shares on 11 January 2019.

20. Bank borrowings

The bank borrowings as at 31 January 2019 are as follows:

	31 January 2019	31 October 2018
	RM'000	RM'000
	(Unaudited)	(Audited)
Current:		
Finance lease liabilities	1,244	699
Fixed loan	<u>2,000</u>	<u>-</u>
Non-Current:		
Finance lease liabilities	1,920	529
Fixed loan	<u>18,000</u>	<u>-</u>



NOTES TO THE INTERIM FINANCIAL REPORT FOR THREE MONTHS ENDED 31 JANUARY 2019

21. Changes in material litigation

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

22. Proposed dividends

The Board of Directors do not recommend any interim dividend for the financial period ended 31 January 2019.

A single tier final dividend of 1.0 sen per ordinary share in respect of financial year ended 31 October 2018 has been approved by the shareholders at the 22nd Annual General Meeting held on even date is to be paid on 8 May 2019 to the registered shareholders at the close of business on 18 April 2019.

23. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the quarter/period by the weighted average number of ordinary shares during the financial quarter/period.

	Individual Quarter 3 months ended 31 January		Cumulative Quarter 3 months ended 31 January	
	2019	2018	2019	2018
Net profit attributable to shareholders (RM'000)	458	4,389	458	4,389
Weighted average number of ordinary shares in issue ('000)	96,222	91,541	96,222	91,541
Basic earnings per ordinary share (Sen)	0.48	4.79	0.48	4.79

24. Related party transactions

There were no significant related party transactions during the quarter and period under review save for:

	Mandate limit RM'000	Individual Quarter 3 months ended 31 January		Cumulative Quarter 3 months ended 31 January	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental charges paid to a company controlled by a Director and major shareholder of the Company	16	4	-	4	-
Project management fee paid to a company controlled by a Director and major shareholder of the Company	4,000	385	-	385	-

By order of the board

Yong Loy Huat
 Chief Executive Officer
 26 March 2019