



EWEIN BERHAD
(Company No. 742890-W)
(Incorporated in Malaysia)

Notes to the Unaudited Interim Financial Report

1. Basis of preparation

The condensed consolidated interim financial information is unaudited and have been prepared in accordance with the applicable disclosure provisions of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Company and its subsidiaries (“the Group”) subsequent to 31 December 2017.

2. Significant accounting policies

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2017 except for the adoption of the new and revised Malaysian Financial Reporting Standards (“MFRS”) with effect from 1 January 2018.

The Group plans to apply the following accounting standards, amendments and interpretations:

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 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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

MFRS 17	Insurance contracts
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2. Significant accounting policies (Cont'd)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10 MFRS 128	Consolidated Financial Statements Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption other than MFRS 16, Leases which the Group is currently assessing the financial impact.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Company's statutory financial statements for the year ended 31 December 2017 in their report dated 27 April 2018.

4. Seasonality or cyclical factors

The business of Ewein Group is not significantly affected by any seasonality or cyclical factors.

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter ended 31 December 2018.

6. Changes in estimates

There were no changes in estimates that had a material effect in the current quarter ended 31 December 2018.

7. Debt and equity securities

During the financial year ended 31 December 2018, the Company acquired 5,848,600 ordinary shares from the open market for a cash consideration of RM3,375,626. The repurchased shares are treated as treasury shares in accordance with the requirements of Section 127(4) of the Companies Act, 2016.

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the quarter ended 31 December 2018.



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8. Dividend paid

There was no dividend paid by the Company in the current quarter and period to date except for the single tier and final dividend for half cent per share totaling RM1,507,926.02 in respect for the financial year ended 31 December 2017, paid on 17 August 2018.

9. Segment information

The following comprises the main business segments of the Group: -

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000 (Restated)	31 Dec 2018 RM'000	31 Dec 2017 RM'000 (Restated)
Segment Revenue				
Property development	31,493	4,029	156,050	39,687
Manufacturing	10,732	11,766	40,861	52,111
Investment holding, property management and letting	1,927	1,690	7,269	7,188
Ecommerce	28	-	60	-
Total revenue	44,180	17,485	204,240	98,986
Segment Results				
Property development	19,273	(1,025)	71,651	13,290
Manufacturing	547	1,041	1,245	3,240
Investment holding, property management and letting	989	1,965	1,846	6,047
Ecommerce	347	-	(223)	-
Profit before interest and taxation	21,156	1,981	74,519	22,577
Interest expense	(7,671)	(9,935)	(8,396)	(10,390)
Interest income	(40)	132	1,763	848
Profit/(Loss) before taxation	13,445	(7,822)	67,886	13,035
Taxation	(6,581)	(2,724)	(18,637)	(8,952)
Profit/(Loss) for the period	6,864	(10,546)	49,249	4,083



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10. Group's financial performance review and segmental analysis

10.1 Overall review of group's financial performance

Statement of financial position:

Overall, the Group continues to maintain a healthy current ratio that measures the Group's ability to pay off its short-term liabilities with its current assets. The current ratio of the Group at 31 December 2018 and 31 December 2017 were 3.10 times and 2.71 times respectively.

Comparison with previous year's corresponding quarter

The Group recorded a revenue of RM44.18 million in Q4'2018 as compared to RM17.49 million (restated) in Q4'2017 which was mainly contributed from property development segment for higher percentage of completion and properties units sold. The Group reported a higher profit before interest and taxation of RM21.16 million in Q4'2018 against RM1.98 million (restated) in Q4'2017.

Comparison with previous year's corresponding cumulative period to date

The Group recorded a revenue of RM204.24 million in twelve months' period ended 31 December 2018 as compared to RM98.99 million (restated) in twelve months' period ended 31 December 2017. The Group reported a profit before interest and taxation of RM74.52 million in twelve months' period ended 31 December 2018 against RM22.58 million (restated) in twelve months' period ended 31 December 2017 which was also contributed from property development segment in which higher percentage of completion and properties units sold.

Borrowing cost capitalisation for overtime transfer of constructed goods

In the recent December 2018 meeting, International Financial Reporting Interpretations Committee (IFRIC) concluded that unsold properties which are being constructed but are ready for sale cannot be treated as qualifying assets. Hence the borrowing cost previously capitalised has to be expensed off to profit or loss. The Group has restated its comparative figures for financial year 2017 and current quarter financial results.

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Finance cost expense	333	9,935	788	10,390



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10. Group's financial performance review and segmental analysis (continued)

10.2 Segmental analysis

Comparison with previous year's corresponding quarter

(i) Property development

The revenue recorded in Q4'2018 was RM31.49 million as compared to RM4.03 million (restated) in Q4'2017. The Group recorded a profit before interest and tax of RM19.27 million in Q4'2018 compared to loss before interest and tax of RM1.03 million (restated) achieved in Q4'2017. The increase in revenue and profit was mainly due to the higher sales of properties and faster construction progress compared to last year.

(ii) Manufacturing

The revenue recorded in Q4'2018 was RM10.73 million as compared to RM11.77 million in Q4'2017. The profit before interest and tax in Q4'2018 was RM0.55 million compared to RM1.04 million in Q4'2017. The decrease in the revenue and profit before interest and tax was mainly due to lower market demand on higher value-added products in Q4'2018.

(iii) Investment holding, property management and letting

The revenue recorded in Q4'2018 was RM1.93 million as compared to RM1.69 million in Q4'2017. The rental income from Menara IJM Land secures a recurring income annually.

The profit before interest and tax in Q4'2018 was RM0.99 million as compare to profit before interest and tax in Q4'2017 of RM1.97 million which was due to weakening of Ringgit Malaysia against US Dollar loan.

(iv) Ecommerce

The revenue recorded in Q4'2018 was RM0.03 million and the profit before interest and tax in Q4'2018 was RM0.35 million which was mainly due to capitalisation of development cost incurred in prior year.

Comparison with previous year's corresponding cumulative period to date

(i) Property development

The revenue recorded in twelve months' period ended 31 December 2018 was RM156.05 million as compared to RM39.69 million (restated) in twelve months' period ended 31 December 2017. The Group recorded a profit before interest and tax of RM71.65 million in twelve months' period ended 31 December 2018 compared to RM13.29 million (restated) achieved in twelve months' period ended 31 December 2017. The increase in revenue and profit was mainly due to the higher sales of properties and faster construction progress compared to last year.



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10. Group's financial performance review and segmental analysis (continued)

10.2 Segmental analysis (continued)

Comparison with previous year's corresponding cumulative period to date (continued)

(ii) Manufacturing

The revenue recorded in twelve months' period ended 31 December 2018 was RM40.86 million as compared to RM52.11 million in twelve months' period ended 31 December 2017. The profit before interest and tax of RM1.25 million achieved in twelve months' period ended 31 December 2018 was lower than RM3.24 million achieved in twelve months' period ended 31 December 2017. The decrease in the revenue and profit before interest and tax was mainly due to lower market demand on higher value-added products in year 2018.

(iii) Investment holding, property management and letting

The revenue recorded in twelve months' period ended 31 December 2018 was RM7.27 million as compared to RM7.19 million in twelve months' period ended 31 December 2017. The rental income from Menara IJM Land secures a recurring income annually.

The profit before interest and tax of RM1.85 million achieved in twelve months' period ended 31 December 2018 was lower than RM6.05 million achieved in twelve months' period ended 31 December 2017. The decrease in the profit before interest and tax was due to higher interest cost and weakening of Ringgit Malaysia against US Dollar loan.

(iv) Ecommerce

The revenue recorded in twelve months' period ended 31 December 2018 was RM0.06 million and the loss before interest and tax for the twelve months' period ended 31 December 2018 was RM0.22 million which was mainly due to preliminary development expenses incurred throughout the period.



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11. Variation of results against preceding quarter

	3 Months Ended 31 Dec 2018 RM'000	3 Months Ended 30 Sept 2018 RM'000	Changes %
Revenue	44,180	60,559	-27.05
Profit before interest and taxation	21,156	16,386	29.11
Profit before taxation	13,445	16,899	-20.44
Profit after taxation	6,864	13,153	-47.81

The Group recorded a revenue of RM44.18 million in Q4'2018 as compared to RM60.56 million in Q3'2018. The Group reported a profit before interest and taxation of RM21.16 million in Q4'2018 against profit before interest and taxation of RM16.39 million in Q3'2018.

As stated in note 10.1 above, the Group has expensed off the borrowings cost previously capitalised into Q4'2018. It affected the current quarter profit before taxation decrease from RM16.9million to RM13.45million.

	3 Months Ended 31 Dec 2018 RM'000	3 Months Ended 30 Sept 2018 RM'000
Finance cost expense	7,671	248

12. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The valuation of land and buildings has been brought forward without amendment from the previous audited financial statements.

13. Other investment

There is no other investment made by the Company except for investment in an associate company.

14. Events subsequent to the balance sheet date

There was no material event subsequent to the end of the current quarter.



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15. Changes in Group's composition

Except for as disclosed in previous quarterly announcements, there were no changes in the composition of the Group during the financial period ended 31 December 2018.

16. Changes in contingent liabilities

There were no material contingent liabilities to be disclosed as at the date of this report.

17. Commitments

There were no material capital commitments as at 31 December 2018 to be disclosed as at the date of this report.

18. Prospects for 2019

The Group Prospects for the year 2019 as explained in the respective operating segments as follows:

(i) Property development

For the property development segment, the Board opines that the market condition is improving and therefore is cautiously optimistic on the performance of this segment for the remaining financial year.

(ii) Manufacturing

The prospect of the manufacturing segment remains positive due to the improving demand trend of the Electronics and Electrical industry.

(iii) Investment holding, property management and letting

The prospect of this segment remains positive due to the improvement in take up rate of Menara IJM Land.

(iv) Ecommerce

This is new segment invested by the Group and is consistent with management's strategy to generate diversified sources of revenue from different sectors in helping the Group future performance.

19. Variance between actual profit and forecast profit

This is not applicable as no profit forecast has been published.

20. Status of corporate proposals

There were no corporate proposals outstanding at the date of this report.



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21. Borrowings

	As at 31 December 2018			As at 31 December 2017			Total RM '000	
	Interest rate %	Secured		Interest rate %	Secured			
		RM '000 USD denomination	RM '000 RM denomination		RM '000 USD denomination	RM '000 RM denomination		
Current:								
Bank overdraft	6.90-8.35	-	43,536	43,536	6.90-8.35	-	44,649	44,649
Term loans	1.83-5.24	4,158	14,770	18,928	1.83-5.24	4,277	14,651	18,928
Finance lease obligations	2.33-4.75	-	100	100	2.33-4.75	-	202	202
		<u>4,158</u>	<u>58,406</u>	<u>62,564</u>		<u>4,277</u>	<u>59,502</u>	<u>63,779</u>
Non-current:								
Term loans	1.83-5.24	26,630	24,749	51,379	1.83-5.24	30,403	16,582	46,059
Finance lease obligations	2.33-4.75	-	226	226	2.33-4.75	-	419	419
		<u>26,630</u>	<u>24,975</u>	<u>51,605</u>		<u>30,403</u>	<u>17,001</u>	<u>46,748</u>
Total		<u><u>30,788</u></u>	<u><u>83,381</u></u>	<u><u>114,169</u></u>		<u><u>34,024</u></u>	<u><u>76,503</u></u>	<u><u>110,527</u></u>



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22. Material litigation

Ewein Group is not engaged in any material litigation for the current quarter ended 31 December 2018.

23. Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares.

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31 Dec 2018	31 Dec 2017 (Restated)	31 Dec 2018	31 Dec 2017 (Restated)
Profit/(Loss) attributable to owners of the Company (RM'000)	6,051	(6,541)	42,014	3,854
Weighted average number of ordinary shares in issue after taking into account the effect of Rights and Bonus shares ('000)	301,585	264,699	301,585	222,649
Weighted average number of ordinary shares after taking into account the effect of share buyback.	(718)	-	(718)	-
Weighted average number of ordinary shares in issue after taking into account the effect of Private Placement ('000)	-	7,068	-	7,068
Weighted average number of ordinary shares in issue after taking into account the effect of exercise of warrants ('000)	-	-	-	42,050
Total weighted average number of ordinary shares	300,867	271,767	300,867	271,767
Basic earnings per share (sen)	2.01	(2.41)	13.96	1.42



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24. Profit before taxation

	Current Quarter Ended		Cumulative Quarter Ended	
	31 Dec 2018 RM '000	31 Dec 2017 RM '000 (Restated)	31 Dec 2018 RM '000	31 Dec 2017 RM '000 (Restated)
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Interest income	40	(132)	(1,763)	(848)
Interest expense	7,671	9,935	8,396	10,390
Depreciation	485	667	1,817	2,052

25. Comparative figures

As stated in Note 10.1, borrowing cost previously capitalised has to be expensed off to profit or loss. The Group has restated its comparative figures for 31.12.2017 and 1.1.2017 as below:

	31.12.2017		1.1.2017	
	As restated RM '000	As previously stated RM '000	As restated RM '000	As previously stated RM '000
Statement of financial position				
Retained earnings	62,284	73,805	38,019	44,319
Non-controlling interest	5,379	13,060	5,150	9,350
Statement of comprehensive income				
Cost of sales	(67,062)	(67,963)	-	-
Finance cost	(8,952)	(788)	-	-



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26. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Board.

By Order of the Board

Chee Wai Hong (BC/C/1470)
Secretary
Date: 28 February 2019