

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

FINANCIAL REPORT for the financial year ended 30 June 2013

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KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	The Group RM	The Company RM
(Loss)/Profit for the financial year attributable to:-		
- Owners of the Company	(548,773)	107,399
- Non-controlling interests	1,093,949	0
	<u>545,176</u>	<u>107,399</u>

DIVIDENDS

No dividends were declared or paid by the Company since the end of the previous financial year.

A final tax exempt dividend of 2 sen per share in respect of the financial year ended 30 June 2013 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

PURCHASE OF OWN SHARES

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 3 July 2002, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

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DIRECTORS' REPORT

PURCHASE OF OWN SHARES (cont'd)

There was no purchase of own shares by the Company during the financial year.

The renewal mandate given by the shareholders at the Annual General Meeting held on 28 December 2012 will expire at the forthcoming Annual General Meeting at which a resolution will be tabled for shareholders to grant a fresh mandate for another year.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 27 December 2002. The ESOS has been in force for 10 years from 18 February 2003 and has expired on 17 February 2013.

The movements in the number of options during the financial year are as follows:-

Exercisable from	Exercise Price RM	Number of Options over Ordinary Shares of RM1.00 each				
		At 1.7.2012	Granted	Exercised	Lapsed/ Expired	At 30.6.2013
18 February 2003	1.20	2,209,000	0	0	(2,209,000)	0

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

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DIRECTORS' REPORT

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent liability or other liability of the Group or the Company 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 or the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

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DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Dato' Koay Hean Eng
Koay Cheng Lye
Koay Ah Bah @ Koay Cheng Hock
Tan Yok Cheng, D.J.N., P.J.K., P.J.M.
Lim Swee Chuan
Dr. Mohamad Zabdi Bin Zamrod
Khaw Eng Peng

Particulars of the interests in shares in the Company and its related corporations of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM1.00 each					
	Direct Interest				Deemed Interest	
	At 1.7.2012	Bought	Sold	At 30.6.2013	At 1.7.2012	At 30.6.2013

Shares in the Company (Kobay Technology Bhd.)

Dato' Koay Hean Eng	1,654,154	0	0	1,654,154	17,523,007	17,523,007
Koay Cheng Lye	586,995	472,000	0	1,058,995	17,523,007	17,523,007
Koay Ah Bah @ Koay Cheng Hock	569,665	315,000	0	884,665	17,523,007	17,523,007
Tan Yok Cheng, D.J.N., P.J.K., P.J.M.	1,250	0	0	1,250	0	0

Name of Director	Number of Options over Ordinary Shares of RM1.00 each					
	At 1.7.2012	Granted	Exercised	Expired	At 30.6.2013	

Options in the Company (Kobay Technology Bhd.)

Dato' Koay Hean Eng	600,000	0	0	(600,000)	0
Lim Swee Chuan	250,000	0	0	(250,000)	0

Options in a Subsidiary (Lipo Corporation Sdn. Bhd.)

Koay Cheng Lye	500,000	0	0	(500,000)	0
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By virtue of their interests in shares in the Company, Dato' Koay Hean Eng, Koay Cheng Lye and Koay Ah Bah @ Koay Cheng Hock are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

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DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration received or receivable from the Company and related corporations) 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 except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 26 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement, apart from the ESOSs of the Company and a subsidiary, whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 23 OCT 2013



Dato' Koay Hean Eng



Lim Swee Chuan

KOBAY TECHNOLOGY BHD.

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STATEMENT BY DIRECTORS

We, Dato' Koay Hean Eng and Lim Swee Chuan, being two of the directors of Kobay Technology Bhd., do hereby state that in the opinion of the directors, the financial statements set out on pages 10 to 70 give a true and fair view of the financial position of the Group and the Company as at 30 June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 71 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 23 OCT 2013



Dato' Koay Hean Eng



Lim Swee Chuan

STATUTORY DECLARATION

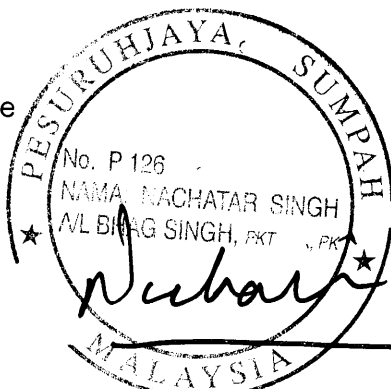
I, Lim Swee Chuan, being the director primarily responsible for the financial management of Kobay Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lim Swee Chuan at Georgetown in
the State of Penang on this 23 OCT 2013



Lim Swee Chuan

Before me



120 LEBUH PENANG
10200 PULAU PINANG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

Report on the Financial Statements

We have audited the financial statements of Kobay Technology Bhd., which comprise the statements of financial position as at 30 June 2013 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 70.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KOBAY TECHNOLOGY BHD. (cont'd)

(Incorporated in Malaysia)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 71 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD. (cont'd)**

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Other Matters

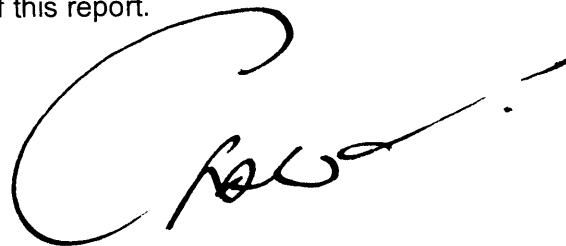
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Date: 23 OCT 2013

Penang



Eddy Chan Wai Hun
Approval No: 2182/10/13(J)
Chartered Accountant

KOBAY TECHNOLOGY BHD.

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"A"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 JUNE 2013

	Note	2013 RM	2012 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	63,271,489	58,432,492
Land held for property development	5	13,241,377	13,241,377
Intangible assets	6	226,627	219,317
Available-for-sale financial assets	8	0	2,327,545
		<u>76,739,493</u>	<u>74,220,731</u>
CURRENT ASSETS			
Inventories	9	10,254,959	10,437,359
Receivables	10	19,510,032	23,588,263
Financial assets at fair value through profit or loss	11	38,500	2,320
Prepayments		955,896	1,752,829
Current tax assets		1,661,356	1,577,458
Cash and cash equivalents	12	34,287,059	58,646,674
		<u>66,707,802</u>	<u>96,004,903</u>
CURRENT LIABILITIES			
Payables	13	15,767,278	15,363,013
Loans and borrowings	14	639,600	99,563
Advance payments from customers		875,456	1,086,243
Current tax liabilities		93,737	98,662
		<u>17,376,071</u>	<u>16,647,481</u>
NET CURRENT ASSETS		49,331,731	79,357,422
NON-CURRENT LIABILITIES			
Loans and borrowings	14	2,314,085	113,804
Deferred tax liabilities	15	3,711,277	3,626,712
Deferred income on government grants	16	41,087	82,175
		<u>6,066,449</u>	<u>3,822,691</u>
NET ASSETS		<u>120,004,775</u>	<u>149,755,462</u>
EQUITY			
Share capital	17	68,080,750	68,080,750
Treasury shares	17	(888,447)	(888,447)
Share premium		1,680,086	1,680,086
Fair value reserve		0	82,024
Legal reserve	18	203,734	108,305
Currency translation reserve		962,682	222,429
Retained profits		48,288,533	39,919,758
Equity attributable to owners of the Company		<u>118,327,338</u>	<u>109,204,905</u>
Non-controlling interests		1,677,437	40,550,557
TOTAL EQUITY		<u>120,004,775</u>	<u>149,755,462</u>

KOBAY TECHNOLOGY BHD.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Note	2013 RM	2012 RM
Revenue	19	91,164,644	98,263,379
Cost of sales		(73,724,759)	(78,300,603)
Gross profit		<u>17,439,885</u>	<u>19,962,776</u>
Other income		3,067,778	4,681,322
Administrative and general expenses		(16,115,744)	(17,588,649)
Selling and distribution expenses		(2,637,425)	(3,117,425)
Finance costs		(18,795)	(15,426)
Profit before tax	20	<u>1,735,699</u>	<u>3,922,598</u>
Tax expense	22	(1,190,523)	(2,629,211)
Profit for the financial year		<u>545,176</u>	<u>1,293,387</u>
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Gain on available-for-sale financial assets		95,256	14,387
- Currency translation differences for foreign operations		616,908	284,435
- Reclassification adjustments on:-			
- Derecognition of available-for-sale financial assets		(224,414)	(40,673)
- Impairment of available-for-sale financial assets		47,134	34,901
Other comprehensive income for the financial year		<u>534,884</u>	<u>293,050</u>
Total comprehensive income for the financial year		<u>1,080,060</u>	<u>1,586,437</u>

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (cont'd)

	Note	2013 RM	2012 RM
(Loss)/Profit for the financial year attributable to:-			
- Owners of the Company		(548,773)	(1,291,845)
- Non-controlling interests		<u>1,093,949</u>	<u>2,585,232</u>
		<u>545,176</u>	<u>1,293,387</u>
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		(330,557)	(1,116,494)
- Non-controlling interests		<u>1,410,617</u>	<u>2,702,931</u>
		<u>1,080,060</u>	<u>1,586,437</u>
Loss per share:-	23		
- Basic (sen)		<u>(0.81)</u>	<u>(1.92)</u>
- Diluted (sen)		<u>(0.81)</u>	<u>(1.92)</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Non-distributable						Distributable			
	Share capital RM	Treasury shares RM	Share premium RM	Fair value reserve RM	Legal reserve RM	Currency translation reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 July 2011	68,080,750	(888,447)	1,680,086	73,409	0	55,693	42,780,074	111,781,565	38,730,735	150,512,300
Gain on available-for-sale financial assets	0	0	0	14,387	0	0	0	14,387	0	14,387
Currency translation differences for foreign operations	0	0	0	0	0	166,736	0	166,736	117,699	284,435
Reclassification adjustments on:-										
- Derecognition of available-for-sale financial assets	0	0	0	(40,673)	0	0	0	(40,673)	0	(40,673)
- Impairment of available-for-sale financial assets	0	0	0	34,901	0	0	0	34,901	0	34,901
Other comprehensive income for the financial year	0	0	0	8,615	0	166,736	0	175,351	117,699	293,050
(Loss)/Profit for the financial year	0	0	0	0	0	0	(1,291,845)	(1,291,845)	2,585,232	1,293,387
Total comprehensive income for the financial year	0	0	0	8,615	0	166,736	(1,291,845)	(1,116,494)	2,702,931	1,586,437
Balance carried forward	68,080,750	(888,447)	1,680,086	82,024	0	222,429	41,488,229	110,665,071	41,433,666	152,098,737

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (cont'd)

	Non-distributable						Distributable			
	Share capital RM	Treasury shares RM	Share premium RM	Fair value reserve RM	Legal reserve RM	Currency translation reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance brought forward	68,080,750	(888,447)	1,680,086	82,024	0	222,429	41,488,229	110,665,071	41,433,666	152,098,737
Dividend to owners of the Company (Note 24)	0	0	0	0	0	0	(1,347,051)	(1,347,051)	0	(1,347,051)
Dividends to non-controlling interests	0	0	0	0	0	0	0	0	(761,622)	(761,622)
Distributions to owners	0	0	0	0	0	0	(1,347,051)	(1,347,051)	(761,622)	(2,108,673)
Changes in ownership interests in subsidiaries	0	0	0	0	0	0	(113,115)	(113,115)	(121,487)	(234,602)
Total transactions with owners	0	0	0	0	0	0	(1,460,166)	(1,460,166)	(883,109)	(2,343,275)
Transfer to legal reserve	0	0	0	0	108,305	0	(108,305)	0	0	0
Balance at 30 June 2012	68,080,750	(888,447)	1,680,086	82,024	108,305	222,429	39,919,758	109,204,905	40,550,557	149,755,462

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (cont'd)

	Non-distributable						Distributable			
	Share capital RM	Treasury shares RM	Share premium RM	Fair value reserve RM	Legal reserve RM	Currency translation reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 July 2012	68,080,750	(888,447)	1,680,086	82,024	108,305	222,429	39,919,758	109,204,905	40,550,557	149,755,462
Gain on available-for-sale financial assets	0	0	0	95,256	0	0	0	95,256	0	95,256
Currency translation differences for foreign operations	0	0	0	0	0	300,240	0	300,240	316,668	616,908
Reclassification adjustments on:-										
- Derecognition of available-for-sale financial assets	0	0	0	(224,414)	0	0	0	(224,414)	0	(224,414)
- Impairment of available-for-sale financial assets	0	0	0	47,134	0	0	0	47,134	0	47,134
Other comprehensive income for the financial year	0	0	0	(82,024)	0	300,240	0	218,216	316,668	534,884
(Loss)/Profit for the financial year	0	0	0	0	0	0	(548,773)	(548,773)	1,093,949	545,176
Total comprehensive income for the financial year	0	0	0	(82,024)	0	300,240	(548,773)	(330,557)	1,410,617	1,080,060
Balance carried forward	68,080,750	(888,447)	1,680,086	0	108,305	522,669	39,370,985	108,874,348	41,961,174	150,835,522

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (cont'd)

	Non-distributable					Distributable				
	Share capital RM	Treasury shares RM	Share premium RM	Fair value reserve RM	Legal reserve RM	Currency translation reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non- controlling interests RM	Total equity RM
Balance brought forward	68,080,750	(888,447)	1,680,086	0	108,305	522,669	39,370,985	108,874,348	41,961,174	150,835,522
Acquisition of subsidiary	0	0	0	0	0	0	0	0	30	30
Share application money from non-controlling interests	0	0	0	0	0	0	0	0	29,970	29,970
Dividends to non-controlling interests	0	0	0	0	0	0	0	0	(435,305)	(435,305)
Contributions by/ (Distributions to) owners	0	0	0	0	0	0	0	0	(405,335)	(405,335)
Changes in ownership interests in subsidiaries	0	0	0	0	95,429	440,013	8,917,548	9,452,990	(39,878,432)	(30,425,442)
Total transactions with owners	0	0	0	0	95,429	440,013	8,917,548	9,452,990	(40,283,767)	(30,830,777)
Balance at 30 June 2013	<u>68,080,750</u>	<u>(888,447)</u>	<u>1,680,086</u>	<u>0</u>	<u>203,734</u>	<u>962,682</u>	<u>48,288,533</u>	<u>118,327,338</u>	<u>1,677,437</u>	<u>120,004,775</u>

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,735,699	3,922,598
Adjustments for:-			
Amortisation of deferred income on government grants		(41,088)	(41,088)
Deposits written off		0	240,759
Depreciation of property, plant and equipment		5,557,025	5,336,097
Dividend income		(7)	(7,458)
Gain on derecognition of available-for-sale financial assets		(224,414)	(40,673)
Gain on disposal of property, plant and equipment		(163,381)	(1,807)
Impairment loss on available-for-sale financial assets		47,134	34,901
Impairment loss on loans and receivables		239,876	425,629
Impairment loss on property, plant and equipment		564,564	672,507
Interest expense		18,795	15,426
Interest income		(1,025,416)	(1,643,805)
Inventories written down		134,525	2,958,051
Property, plant and equipment written off		203,481	348,328
Reversal of impairment loss on loans and receivables		(61,100)	(1,041,405)
Unrealised gain on financial instruments at fair value through profit or loss		(38,500)	(2,320)
Unrealised gain on foreign exchange		(204,963)	(206,674)
Operating profit before working capital changes		6,742,230	10,969,066
Changes in:-			
Inventories		47,875	(2,503,422)
Receivables and prepayments		4,841,072	3,433,011
Payables and advance payments		173,779	1,463,608
Financial instruments at fair value through profit or loss		2,320	2,220
Cash generated from operations		11,807,276	13,364,483
Tax paid		(1,963,612)	(3,298,410)
Tax refunded		767,922	90,806
Net cash from operating activities		10,611,586	10,156,879
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		30	0
Dividends received		7	6,996
Interest received		1,058,691	1,652,925
Proceeds from disposal of associate		0	2
Proceeds from disposal of available-for-sale financial assets		2,922,989	1,020,363
Proceeds from disposal of property, plant and equipment		295,475	218,224
Purchase of available-for-sale financial assets		(500,188)	(1,471,588)
Purchase of land held for property development		0	(6,127,324)
Purchase of property, plant and equipment	25	(10,991,876)	(5,923,956)
Net cash used in investing activities		(7,214,872)	(10,624,358)

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (cont'd)**

	Note	2013 RM	2012 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of shares from non-controlling interests		0	(234,602)
Capital repayment to non-controlling interests		(30,425,442)	0
Decrease in short-term loans and borrowings		0	(156,806)
Dividend paid to owners of the Company		0	(1,347,051)
Dividends paid to non-controlling interests		(435,305)	(761,622)
Interest paid		(18,795)	(15,426)
Placement of term deposits pledged as security		(31,618)	(5,197)
Repayment of hire purchase obligations		(213,367)	(86,633)
Repayment of term loan		(106,600)	0
Share application money received from non-controlling interests		29,970	0
Term loan raised		3,060,285	0
Net cash used in financing activities		(28,140,872)	(2,607,337)
Currency translation differences		352,925	120,024
Net decrease in cash and cash equivalents		(24,391,233)	(2,954,792)
Cash and cash equivalents brought forward		58,259,953	61,214,745
Cash and cash equivalents carried forward	12	<u>33,868,720</u>	<u>58,259,953</u>

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STATEMENT OF FINANCIAL POSITION
As At 30 JUNE 2013

	Note	2013 RM	2012 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	249,834	302,445
Investments in subsidiaries	7	50,136,303	41,883,183
Available-for-sale financial assets	8	0	1,915,349
		<u>50,386,137</u>	<u>44,100,977</u>
CURRENT ASSETS			
Receivables	10	11,716,918	15,319,642
Prepayments		7,246	236,685
Current tax assets		1,129,802	911,936
Cash and cash equivalents	12	20,873,152	23,589,844
		<u>33,727,118</u>	<u>40,058,107</u>
CURRENT LIABILITIES			
Payables	13	1,327,597	1,394,897
		<u>1,327,597</u>	<u>1,394,897</u>
NET CURRENT ASSETS		32,399,521	38,663,210
NET ASSETS		<u>82,785,658</u>	<u>82,764,187</u>
EQUITY			
Share capital	17	68,080,750	68,080,750
Treasury shares	17	(888,447)	(888,447)
Share premium		1,680,086	1,680,086
Fair value reserve		0	85,928
Retained profits		13,913,269	13,805,870
TOTAL EQUITY		<u>82,785,658</u>	<u>82,764,187</u>

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Note	2013 RM	2012 RM
Revenue	19	3,680,680	4,541,058
Other income		1,004,224	1,388,545
Administrative and general expenses		(4,217,246)	(4,311,841)
Profit before tax	20	<u>467,658</u>	<u>1,617,762</u>
Tax expense	22	(360,259)	(732,873)
Profit for the financial year		<u>107,399</u>	<u>884,889</u>
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Gain on available-for-sale financial assets		16,428	12,506
- Reclassification adjustment on derecognition of available-for-sale financial assets		(102,356)	0
Other comprehensive income for the financial year		<u>(85,928)</u>	<u>12,506</u>
Total comprehensive income for the financial year		<u>21,471</u>	<u>897,395</u>

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Fair value reserve RM	Distributable Retained profits RM	Total equity RM
Balance at 1 July 2011	68,080,750	(888,447)	1,680,086	73,422	14,268,032	83,213,843
Gain on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	12,506	0	12,506
Profit for the financial year	0	0	0	0	884,889	884,889
Total comprehensive income for the financial year	0	0	0	12,506	884,889	897,395
Dividend (representing total transactions with owners) (Note 24)	0	0	0	0	(1,347,051)	(1,347,051)
Balance at 30 June 2012	68,080,750	(888,447)	1,680,086	85,928	13,805,870	82,764,187
Gain on available-for-sale financial assets	0	0	0	16,428	0	16,428
Reclassification adjustment on derecognition of available-for-sale financial assets	0	0	0	(102,356)	0	(102,356)
Other comprehensive income for the financial year	0	0	0	(85,928)	0	(85,928)
Profit for the financial year	0	0	0	0	107,399	107,399
Total comprehensive income for the financial year	0	0	0	(85,928)	107,399	21,471
Balance at 30 June 2013	68,080,750	(888,447)	1,680,086	0	13,913,269	82,785,658

KOBAY TECHNOLOGY BHD.

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STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		467,658	1,617,762
Adjustments for:-			
Depreciation of property, plant and equipment		70,905	94,281
Gain on derecognition of available-for-sale financial assets		(102,356)	0
Gain on winding up of subsidiary		0	(176,529)
Gross dividend income		(2,847,500)	(4,139,058)
Impairment loss on investments in subsidiaries		758,072	478,802
Impairment loss on loans and receivables		693,671	1,538,251
Interest income		(830,026)	(1,211,374)
Loss on disposal of property, plant and equipment		1,232	0
Property, plant and equipment written off		5,528	5,179
Reversal of impairment loss on investment in subsidiary		0	(2)
Reversal of impairment loss on loans and receivables		(71,842)	0
Operating loss before working capital changes		(1,854,658)	(1,792,688)
Changes in:-			
Receivables and prepayments		239,280	(230,441)
Payables		(67,300)	(483,476)
Net cash used in operating activities		(1,682,678)	(2,506,605)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary		(70)	0
Additional investments in subsidiaries		(941,192)	(225,002)
Dividends received		2,269,375	3,355,058
Increase in amounts owing by subsidiaries		(4,044,973)	(2,887,368)
Interest received		846,053	1,222,874
Proceeds from disposal of associate		0	2
Proceeds from disposal of available-for-sale financial assets		1,939,863	0
Proceeds from disposal of property, plant and equipment		100	4,166
Purchase of available-for-sale financial assets		(8,086)	(41,222)
Purchase of property, plant and equipment	25	(25,154)	(20,694)
Share application money paid to subsidiary		(69,930)	0
Subscription for shares in subsidiary		(1,000,000)	(1,499,998)
Net cash used in investing activities		(1,034,014)	(92,184)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		0	(1,347,051)
Net cash used in financing activity		0	(1,347,051)
Net decrease in cash and cash equivalents		(2,716,692)	(3,945,840)
Cash and cash equivalents brought forward		23,581,844	27,527,684
Cash and cash equivalents carried forward	12	20,865,152	23,581,844

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 7.

The registered office and principal place of business of the Company are located at Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Penang.

The consolidated financial statements set out on pages 10 to 18 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 19 to 22 together with the notes thereto cover the Company solely.

The presentation currency is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 23 October 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

The following FRSs became effective for the financial year under review:-

FRS	Effective for annual periods beginning on or after
FRS 124 <i>Related Party Disclosures</i> (revised in 2010)	1 January 2012
Amendments to FRS 1 <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	1 January 2012
Amendments to FRS 7 <i>Disclosures - Transfers of Financial Assets</i>	1 January 2012
Amendments to FRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to FRS 112 <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012

The adoption of the above FRSs did not result in any significant changes in the accounting policies of the Group and the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards

Financial Reporting Standards

For the existing FRS framework, the Malaysian Accounting Standards Board ("MASB") has issued the following FRSs which are not yet effective:-

FRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
FRS 9 <i>Financial Instruments</i>	1 January 2015
FRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
FRS 11 <i>Joint Arrangements</i>	1 January 2013
FRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
FRS 13 <i>Fair Value Measurement</i>	1 January 2013
FRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
FRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
FRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to FRS 1 <i>Government Loans</i>	1 January 2013
Amendments to FRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to FRS 10, FRS 12 and FRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to FRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2012)</i> "	1 January 2013

Management foresees that the initial application of the above FRSs will not have any significant impacts on the financial statements except as follows:-

FRS 9 *Financial Instruments*

FRS 9 replaces the guidance in FRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards (cont'd)

Financial Reporting Standards (cont'd)

FRS 10 Consolidated Financial Statements

FRS 10 replaces the consolidation guidance in FRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under FRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

Malaysian Financial Reporting Standards

In November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The issuance was made in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS framework is a fully IFRS-compliant framework and equivalent to IFRSs.

The MFRS framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for Construction of Real Estate*, including their parents, significant investors and venturers ("Transitioning Entities"). Transitioning Entities are allowed to defer the adoption of the MFRS framework to annual periods beginning on or after 1 January 2015.

Being a Transitioning Entity as defined above, the Group and the Company have elected to defer the adoption of the MFRS framework to the financial year ending 30 June 2016. Management is currently examining the financial impacts of transition to the MFRS framework.

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation (cont'd)

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation (cont'd)

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

The last revaluation of certain land and buildings was made in 1997 and has not been updated. The Group has followed the transitional provisions of IAS 16 (Revised) *Property, Plant and Equipment* issued by the Malaysian Accounting Standards Board to retain the carrying amounts of the assets on the basis of their previous revaluation subject to continuity in their depreciation and impairment policies.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated on a straight-line basis over the lease terms of 43 to 80 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Building improvement and renovation	2-33%
Factory machinery, moulds and equipment	9-20%
Furniture, fittings, office equipment and computer software	9-33%
Tools and accessories	10%
Motor vehicles	10-20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Land Held for Property Development

Land held for property development is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

2.6 Intellectual Property

Intellectual property with an indefinite useful life is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

2.7 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

2.8 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill and other intangible assets with indefinite useful lives are tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

2.9 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Assets

Financial assets of the Group and the Company consist of quoted investments, receivables, derivatives and cash and cash equivalents.

Recognition and Measurement

A financial asset 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 financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

(iii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

(iv) Available-for-sale financial assets

All quoted investments (other than interests in subsidiaries) are classified under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value, except for impairment loss, is recognised in other comprehensive income and accumulated in equity as fair value reserve until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Assets (cont'd)

Recognition and Measurement (cont'd)

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as follows:-

(i) Financial assets carried at amortised cost

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment classified as available-for-sale, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Such cumulative loss reclassified from equity to profit or loss represents an impairment loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. The impairment loss is not reversed through profit or loss in any subsequent period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Assets (cont'd)

Determination of Fair Values

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are determined by reference to their quoted closing bid prices at the end of the reporting period (i.e. Level 1).

The fair values of forward exchange contracts are quoted by the financial institutions. If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

2.11 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

Recognition and Measurement

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 financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

(i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of forward exchange contracts are quoted by the financial institutions. If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial Liabilities (cont'd)

Determination of Fair Values (cont'd)

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors (i.e. Level 3).

2.12 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.13 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Foreign Currency Transactions and Translation (cont'd)

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.14 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of share premium and/or distributable reserves. When treasury shares are cancelled, an amount equivalent to their nominal value is transferred from share capital to a capital redemption reserve and the total cost of the treasury shares cancelled is adjusted to share premium and/or other suitable reserves.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the rendering of services is recognised when the services are performed.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

2.16 Government Grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

2.17 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Employee Benefits (cont'd)

Equity Compensation Benefits

The Employees' Share Option Schemes ("ESOSs") of the Company and a subsidiary grant the Group's eligible employees options to subscribe for shares in the Company and the subsidiary at pre-determined subscription prices. These equity compensation benefits are recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

2.18 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (excluding those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 9.

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 10.

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4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings RM	Building improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Tools and accessories RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Cost/Valuation</u>								
Balance at 1 July 2011	42,358,265	5,140,816	78,198,145	6,563,392	1,087,760	1,480,017	1,162,311	135,990,706
Additions	114,985	556,093	2,599,487	462,777	123,207	817,946	1,549,461	6,223,956
Disposals/Write-offs	0	(600,393)	(907,216)	(271,300)	(3,230)	(118,497)	(45,099)	(1,945,735)
Reclassifications	0	1,172,616	256,233	276,856	(26,130)	0	(1,679,575)	0
Currency translation differences	0	36,872	305,039	10,505	0	6,465	8,288	367,169
Balance at 30 June 2012	42,473,250	6,306,004	80,451,688	7,042,230	1,181,607	2,185,931	995,386	140,636,096
Representing:-								
- Cost	29,819,250	6,306,004	80,451,688	7,042,230	1,181,607	2,185,931	995,386	127,982,096
- Valuation	12,654,000	0	0	0	0	0	0	12,654,000
	42,473,250	6,306,004	80,451,688	7,042,230	1,181,607	2,185,931	995,386	140,636,096
Balance at 1 July 2012	42,473,250	6,306,004	80,451,688	7,042,230	1,181,607	2,185,931	995,386	140,636,096
Additions	0	162,265	3,631,218	455,451	98,319	98,800	6,545,823	10,991,876
Disposals/Write-offs	0	(43,154)	(2,139,204)	(377,089)	(56,779)	(70,417)	0	(2,686,643)
Reclassifications	0	0	212,724	0	0	0	(212,724)	0
Currency translation differences	0	68,741	579,598	23,695	0	9,322	940	682,296
Balance at 30 June 2013	42,473,250	6,493,856	82,736,024	7,144,287	1,223,147	2,223,636	7,329,425	149,623,625
Representing:-								
- Cost	29,819,250	6,493,856	82,736,024	7,144,287	1,223,147	2,223,636	7,329,425	136,969,625
- Valuation	12,654,000	0	0	0	0	0	0	12,654,000
	42,473,250	6,493,856	82,736,024	7,144,287	1,223,147	2,223,636	7,329,425	149,623,625

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group

	Land and buildings RM	Building improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Tools and accessories RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Depreciation and Impairment Losses</u>								
Balance at 1 July 2011								
Accumulated depreciation	7,657,316	2,223,616	60,843,148	4,438,679	820,662	1,102,709	0	77,086,130
Accumulated impairment losses	0	0	182,141	2,928	4,129	0	127,220	316,418
	7,657,316	2,223,616	61,025,289	4,441,607	824,791	1,102,709	127,220	77,402,548
Depreciation	758,861	521,605	3,348,093	456,025	45,942	205,571	0	5,336,097
Impairment loss	0	0	533,397	100,050	24,817	14,243	0	672,507
Disposals/Write-offs	0	(336,556)	(839,945)	(169,849)	(942)	(33,698)	0	(1,380,990)
Currency translation differences	0	23,519	143,364	5,696	0	863	0	173,442
Balance at 30 June 2012								
Accumulated depreciation	8,416,177	2,432,184	63,494,660	4,730,551	865,662	1,275,445	0	81,214,679
Accumulated impairment losses	0	0	715,538	102,978	28,946	14,243	127,220	988,925
	8,416,177	2,432,184	64,210,198	4,833,529	894,608	1,289,688	127,220	82,203,604
Depreciation	760,619	584,332	3,475,578	489,403	47,645	199,448	0	5,557,025
Impairment loss	0	147,314	163,769	156,377	57,711	39,393	0	564,564
Disposals/Write-offs	0	(5,358)	(1,987,923)	(290,795)	(38,934)	(28,058)	0	(2,351,068)
Currency translation differences	0	53,040	308,449	14,661	0	1,861	0	378,011
Balance at 30 June 2013								
Accumulated depreciation	9,176,796	3,064,198	65,334,589	4,949,490	878,502	1,462,939	0	84,866,514
Accumulated impairment losses	0	147,314	835,482	253,685	82,528	39,393	127,220	1,485,622
	9,176,796	3,211,512	66,170,071	5,203,175	961,030	1,502,332	127,220	86,352,136

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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group

	Land and buildings RM	Building improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Tools and accessories RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Carrying Amount</u>								
Balance at 1 July 2011	34,700,949	2,917,200	17,172,856	2,121,785	262,969	377,308	1,035,091	58,588,158
Balance at 30 June 2012	34,057,073	3,873,820	16,241,490	2,208,701	286,999	896,243	868,166	58,432,492
Balance at 30 June 2013	33,296,454	3,282,344	16,565,953	1,941,112	262,117	721,304	7,202,205	63,271,489

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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The details of land and buildings are as follows:-

The Group

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Total RM
<u>Cost/Valuation</u>					
Balance at 1 July 2011	3,627,303	2,257,794	9,509,000	26,964,168	42,358,265
Additions	0	0	0	114,985	114,985
Balance at 30 June 2012	3,627,303	2,257,794	9,509,000	27,079,153	42,473,250
<u>Representing:-</u>					
- Cost	3,627,303	2,257,794	4,320,000	19,614,153	29,819,250
- Valuation	0	0	5,189,000	7,465,000	12,654,000
	3,627,303	2,257,794	9,509,000	27,079,153	42,473,250
Balance at 1 July 2012	3,627,303	2,257,794	9,509,000	27,079,153	42,473,250
Movement during the year	0	0	0	0	0
Balance at 30 June 2013	3,627,303	2,257,794	9,509,000	27,079,153	42,473,250
<u>Representing:-</u>					
- Cost	3,627,303	2,257,794	4,320,000	19,614,153	29,819,250
- Valuation	0	0	5,189,000	7,465,000	12,654,000
	3,627,303	2,257,794	9,509,000	27,079,153	42,473,250
<u>Accumulated Depreciation</u>					
Balance at 1 July 2011	0	438,234	2,292,967	4,926,115	7,657,316
Depreciation	0	33,850	187,818	537,193	758,861
Balance at 30 June 2012	0	472,084	2,480,785	5,463,308	8,416,177
Depreciation	0	33,850	187,818	538,951	760,619
Balance at 30 June 2013	0	505,934	2,668,603	6,002,259	9,176,796
<u>Carrying Amount</u>					
Balance at 1 July 2011	3,627,303	1,819,560	7,216,033	22,038,053	34,700,949
Balance at 30 June 2012	3,627,303	1,785,710	7,028,215	21,615,845	34,057,073
Balance at 30 June 2013	3,627,303	1,751,860	6,840,397	21,076,894	33,296,454

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Certain short-term leasehold land and buildings stated at valuation were revalued in 1997 based on the market values given by independent professional valuers using the comparison method. Had the short-term leasehold land and buildings been carried at historical cost less accumulated depreciation, the total carrying amounts of the entire class of short-term leasehold land and buildings that would have been recognised in the financial statements are as follows:-

	The Group	
	2013 RM	2012 RM
Short-term leasehold land	4,438,987	4,564,242
Buildings	20,084,259	20,597,104
	<u>24,523,246</u>	<u>25,161,346</u>

A motor vehicle of the Group with carrying amount of RM586,687 as at 30 June 2012 was acquired under hire purchase financing which remained outstanding as at that date.

The Company

	Renovation RM	Furniture, fittings and office equipment RM	Tools and accessories RM	Motor vehicles RM	Total RM
<u>Cost</u>					
Balance at 1 July 2011	43,735	875,190	825	542,168	1,461,918
Additions	0	20,694	0	0	20,694
Disposals/Write-offs	0	(58,378)	0	0	(58,378)
Balance at 30 June 2012	43,735	837,506	825	542,168	1,424,234
Additions	0	25,154	0	0	25,154
Disposals/Write-offs	0	(141,263)	0	0	(141,263)
Balance at 30 June 2013	43,735	721,397	825	542,168	1,308,125
<u>Accumulated Depreciation</u>					
Balance at 1 July 2011	35,322	498,318	825	542,076	1,076,541
Depreciation	4,374	89,818	0	89	94,281
Disposals/Write-offs	0	(49,033)	0	0	(49,033)
Balance at 30 June 2012	39,696	539,103	825	542,165	1,121,789
Depreciation	4,038	66,867	0	0	70,905
Disposals/Write-offs	0	(134,403)	0	0	(134,403)
Balance at 30 June 2013	43,734	471,567	825	542,165	1,058,291
<u>Carrying Amount</u>					
Balance at 1 July 2011	8,413	376,872	0	92	385,377
Balance at 30 June 2012	4,039	298,403	0	3	302,445
Balance at 30 June 2013	1	249,830	0	3	249,834

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**
5. LAND HELD FOR PROPERTY DEVELOPMENT

The Group

	2013 RM	2012 RM
Freehold land, at cost	<u>13,241,377</u>	<u>13,241,377</u>

6. INTANGIBLE ASSETS

The Group

	Goodwill RM	Intellectual property RM	Total RM
Balance at 1 July 2011	15,317	204,000	219,317
Movement during the year	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 30 June 2012	15,317	204,000	219,317
Currency translation differences	<u>510</u>	<u>6,800</u>	<u>7,310</u>
Balance at 30 June 2013	<u>15,827</u>	<u>210,800</u>	<u>226,627</u>

7. INVESTMENTS IN SUBSIDIARIES

The Company

	2013 RM	2012 RM
Unquoted shares, at cost	56,240,588	21,923,762
Impairment losses	<u>(6,104,285)</u>	<u>(5,346,213)</u>
	50,136,303	16,577,549
Quoted shares in Malaysia, at cost	<u>0</u>	<u>25,305,634</u>
	<u>50,136,303</u>	<u>41,883,183</u>
Market value of quoted shares in Malaysia	<u>N/A</u>	<u>32,390,006</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2013	2012	
Bend Weld Engineering Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment
Fine Desserts Sdn. Bhd.	Malaysia	100.00%	100.00%	Inactive

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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2013	2012	
Kewjaya Sdn. Bhd.	Malaysia	100.00%	100.00%	Money lending and leasing
Kobay Assets Sdn. Bhd.	Malaysia	100.00%	100.00%	Property letting
Kobay Sawin Sdn. Bhd.	Malaysia	100.00%	100.00%	Inactive
Kobay SCM (S) Pte. Ltd. ^(a)	Singapore	60.00%	60.00%	Investment holding
Kobay Systems Sdn. Bhd.	Malaysia	100.00%	100.00%	General trading
LD Global Sdn. Bhd.	Malaysia	100.00%	100.00%	Inactive
Lipo Corporation Sdn. Bhd.	Malaysia	100.00%	53.16%	Investment holding and provision of management services
Lodge 18 Sdn. Bhd.	Malaysia	100.00%	100.00%	Hotel operation
Maker Technologies Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of precision moulds and parts
Megatool Precision (Suzhou) Co., Ltd. ^(b)	China	100.00%	100.00%	Inactive
Polytool Integration Sdn. Bhd.	Malaysia	100.00%	100.00%	Design and manufacture of sawing machines, vision and inspection machines/systems, fluid/epoxy dispensing machines, test handling machines, production machinery and parts thereof for solar industry
Polytool Precision Sdn. Bhd.	Malaysia	100.00%	100.00%	Investment holding
Polytool Technologies Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of industrial equipment, machinery parts and tooling, encapsulation moulds, trim and form dies and progressive tooling for lead frames
The 12 Avenues Sdn. Bhd. ^(a) (formerly known as Skyhouse Sdn. Bhd.)	Malaysia	70.00%	N/A	Property development

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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2013	2012	
<u>Subsidiaries of Kobay SCM (S) Pte. Ltd.</u>				
Microhandling Asia Pte. Ltd. ^(a)	Singapore	30.48%	30.48%	Manufacture of semiconductor assembly and testing equipment
United Manufacturing Corporation Pte. Ltd. ^(a)	Singapore	60.00%	60.00%	Provision of engineering design and services, engineering research and experimental development
<u>Subsidiaries of Lipo Corporation Sdn. Bhd.</u>				
Lipo Precision Industry (Suzhou) Co., Ltd. ^(a)	China	100.00%	53.16%	Manufacture of precision machined components
Micro Surface Treatment Sdn. Bhd.	Malaysia	88.00%	46.78%	Precision plating and surface treatment
Paradigm Metal Industries Sdn. Bhd.	Malaysia	100.00%	53.16%	Manufacture of precision metal stamping and sheet metal parts
Paradigm Precision Components Sdn. Bhd.	Malaysia	100.00%	53.16%	Manufacture of precision machined components
Paradigm Precision Machining Sdn. Bhd.	Malaysia	100.00%	53.16%	Inactive
Super Tropica Development Sdn. Bhd.	Malaysia	100.00%	53.16%	Property development
Suzhou Univex Metal Tech Co., Ltd. ^(c)	China	100.00%	53.16%	Inactive

^(a) Not audited by Crowe Horwath

^(b) In the process of dissolution, and consolidated using unaudited financial statements

^(c) Dissolved in September 2013, and consolidated using unaudited financial statements

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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

Changes in Ownership Interests in Subsidiaries

A subsidiary, Lipo Corporation Sdn. Bhd. ("Lipo"), was formerly a public company listed on the Main Market of Bursa Malaysia Securities Berhad. In October 2012, upon obtaining all the required approvals, Lipo undertook a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act 1965 ("SCR"). The SCR involved a cancellation of 29,484,250 ordinary shares of RM1.00 each in Lipo and a capital repayment of RM1.25 per share totalling RM29,484,250 to the holders of the shares cancelled, other than the Company. Upon completion of the SCR, Lipo was delisted from the Official List of Bursa Malaysia Securities Berhad with effect from 16 November 2012 and became a wholly-owned subsidiary of the Company.

The effects of the above changes in ownership interests on the equity attributable to owners of the Company are as follows:-

	RM
Amounts by which non-controlling interests are adjusted	39,878,432
Capital repayment	(29,484,250)
Incidental costs	(941,192)
Increase in equity attributable to owners of the Company	<u>9,452,990</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<u>Fair Value (Level 1)</u>				
Shares quoted:-				
- In Malaysia	0	234,387	0	0
- Outside Malaysia	0	177,809	0	0
Unit trust quoted in Malaysia	0	1,915,349	0	1,915,349
	<u>0</u>	<u>2,327,545</u>	<u>0</u>	<u>1,915,349</u>

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9. INVENTORIES

The Group

	2013 RM	2012 RM
Raw materials and consumables	2,033,478	1,813,222
Work-in-progress	5,058,005	5,174,028
Finished goods	3,050,833	3,374,728
Goods-in-transit	112,643	75,381
	<u>10,254,959</u>	<u>10,437,359</u>

10. RECEIVABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables	19,307,528	22,499,081	0	0
Allowance for impairment	(375,632)	(370,587)	0	0
	18,931,896	22,128,494	0	0
Loan receivables (fixed rate)	3,420,568	3,926,454	0	0
Allowance for impairment	(3,407,348)	(3,350,000)	0	0
	13,220	576,454	0	0
Subsidiaries	0	0	14,684,420	17,639,447
Allowance for impairment	0	0	(2,994,858)	(2,428,029)
	0	0	11,689,562	15,211,418
Other receivables	621,488	884,887	83,928	109,796
Allowance for impairment	(56,572)	(1,572)	(56,572)	(1,572)
	564,916	883,315	27,356	108,224
	<u>19,510,032</u>	<u>23,588,263</u>	<u>11,716,918</u>	<u>15,319,642</u>

The currency profile of receivables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	10,312,400	13,437,998	11,540,925	14,933,048
Renminbi	1,727,194	3,180,265	0	0
US Dollar	6,539,958	5,104,432	0	0
Others	930,480	1,865,568	175,993	386,594
	<u>19,510,032</u>	<u>23,588,263</u>	<u>11,716,918</u>	<u>15,319,642</u>

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10. RECEIVABLES (cont'd)

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The movements in allowance for impairment are as follows:-

	The Group	
	2013 RM	2012 RM
Balance at 1 July	370,587	333,505
Impairment loss recognised	127,528	348,487
Impairment loss reversed	(61,100)	(311,405)
Impairment loss written off	(61,383)	0
Balance at 30 June	<u>375,632</u>	<u>370,587</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group	
	2013 RM	2012 RM
Not past due	16,434,693	17,559,788
Past due 1 to 30 days	1,681,577	2,953,082
Past due 31 to 120 days	678,449	1,572,731
Past due more than 120 days	137,177	42,893
	<u>18,931,896</u>	<u>22,128,494</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2013, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2013 RM	2012 RM
Malaysia	10,427,214	14,162,763
China	1,585,655	2,951,386
Singapore	3,131,382	2,529,245
Others	3,787,645	2,485,100
	<u>18,931,896</u>	<u>22,128,494</u>

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10. RECEIVABLES (cont'd)

Loan Receivables

Loan receivables are unsecured and repayable on demand. The effective interest rates as at 30 June 2013 ranged from 8.00% to 10.00% (2012 : 8.00% to 10.00%) per annum.

The movements in allowance for impairment are as follows:-

	The Group	
	2013 RM	2012 RM
Balance at 1 July	3,350,000	4,080,000
Impairment loss recognised	57,348	0
Impairment loss reversed	0	(730,000)
Balance at 30 June	<u>3,407,348</u>	<u>3,350,000</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

Subsidiaries

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand except for an amount of RM1,123,963 (2012 : RM8,653,963) which bears interest at 5.25% (2012 : 5.25% to 6.00%) per annum.

The movements in allowance for impairment are as follows:-

	The Company	
	2013 RM	2012 RM
Balance at 1 July	2,428,029	905,850
Impairment loss recognised	638,671	1,522,179
Impairment loss reversed	(71,842)	0
Balance at 30 June	<u>2,994,858</u>	<u>2,428,029</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts mainly consist of refundable deposits and advances which have no fixed repayment terms.

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10. RECEIVABLES (cont'd)

Other Receivables (cont'd)

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Balance at 1 July	1,572	0	1,572	0
Impairment loss recognised	55,000	77,142	55,000	16,072
Impairment loss written off	0	(75,570)	0	(14,500)
Balance at 30 June	<u>56,572</u>	<u>1,572</u>	<u>56,572</u>	<u>1,572</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2013 RM	2012 RM
Derivatives classified as held for trading, at fair value (Level 2)	<u>38,500</u>	<u>2,320</u>

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2013, the Group had contracts due within 1 year to buy RM1,564,000 (2012 : RM476,000) and sell USD500,000 (2012 : USD150,000) at contractual forward rates.

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Highly liquid investments	7,522,961	15,564,606	4,541,877	1,565,314
Term deposits with licensed banks (fixed rate)	17,437,193	35,109,900	16,129,250	21,609,990
Cash and bank balances	<u>9,326,905</u>	<u>7,972,168</u>	<u>202,025</u>	<u>414,540</u>
	<u>34,287,059</u>	<u>58,646,674</u>	<u>20,873,152</u>	<u>23,589,844</u>

The effective interest rates of term deposits as at 30 June 2013 ranged from 1.50% to 3.30% (2012 : 1.50% to 3.20%) per annum.

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12. CASH AND CASH EQUIVALENTS (cont'd)

The currency profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	28,206,080	53,760,447	20,873,152	23,589,844
Renminbi	2,562,035	2,161,759	0	0
US Dollar	2,810,850	2,327,299	0	0
Others	708,094	397,169	0	0
	<u>34,287,059</u>	<u>58,646,674</u>	<u>20,873,152</u>	<u>23,589,844</u>

For the purpose of statement of cash flows, cash and cash equivalents exclude certain term deposits pledged as security for credit facilities granted to the Group and the Company as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and cash equivalents	34,287,059	58,646,674	20,873,152	23,589,844
Term deposits pledged as security	(418,339)	(386,721)	(8,000)	(8,000)
	<u>33,868,720</u>	<u>58,259,953</u>	<u>20,865,152</u>	<u>23,581,844</u>

13. PAYABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables:-				
- Related party ^(a)	92,456	80,964	0	0
- Related party ^(b)	124,678	33,221	0	0
- Unrelated parties	9,397,606	9,319,785	0	0
	<u>9,614,740</u>	<u>9,433,970</u>	<u>0</u>	<u>0</u>
Subsidiaries	0	0	1,101,597	1,166,060
Other payables	6,152,538	5,929,043	226,000	228,837
	<u>15,767,278</u>	<u>15,363,013</u>	<u>1,327,597</u>	<u>1,394,897</u>

^(a) Being a company in which a director has a substantial financial interest

^(b) Being a company in which close family members of a director have substantial financial interests

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13. PAYABLES (cont'd)

The currency profile of payables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	12,052,544	11,902,459	1,327,597	1,394,897
Renminbi	1,250,734	1,101,984	0	0
US Dollar	1,971,226	1,567,323	0	0
Others	492,774	791,247	0	0
	<u>15,767,278</u>	<u>15,363,013</u>	<u>1,327,597</u>	<u>1,394,897</u>

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

Subsidiaries

The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

14. LOANS AND BORROWINGS

The Group	2013 RM	2012 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	0	213,367
<u>Unsecured</u>		
Term loan (floating rate)	<u>2,953,685</u>	<u>0</u>
	<u>2,953,685</u>	<u>213,367</u>

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14. LOANS AND BORROWINGS (cont'd)

	2013 RM	2012 RM
Disclosed as:-		
- Current liabilities	639,600	99,563
- Non-current liabilities	2,314,085	113,804
	<u>2,953,685</u>	<u>213,367</u>

Hire Purchase Payables

Hire purchase payables were repayable over 3 years. The repayment analysis is as follows:-

	2013 RM	2012 RM
Minimum hire purchase payments:-		
- Within 1 year	0	108,132
- Later than 1 year and not later than 2 years	0	108,132
- Later than 2 years and not later than 5 years	0	9,005
Total contractual undiscounted cash flows	0	225,269
Future finance charges	0	(11,902)
Present value of hire purchase payables:-		
- Within 1 year	0	99,563
- Later than 1 year and not later than 2 years	0	104,836
- Later than 2 years and not later than 5 years	0	8,968
	<u>0</u>	<u>213,367</u>

Hire purchase payables were secured against the asset acquired thereunder (Note 4). The effective interest rate as at 30 June 2012 was 5.08% per annum. The carrying amount of hire purchase payables was reasonable approximation of fair value as its effective interest rate also approximated to the current market interest rates for similar liabilities.

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14. LOANS AND BORROWINGS (cont'd)

Term Loan

Term loan is repayable over 5 years. The repayment analysis is as follows:-

	2013 RM	2012 RM
Gross loan instalments:-		
- Within 1 year	804,021	0
- Later than 1 year and not later than 2 years	782,610	0
- Later than 2 years and not later than 5 years	1,866,353	0
Total contractual undiscounted cash flows	3,452,984	0
Future finance charges	(499,299)	0
Present value of term loan:-		
- Within 1 year	639,600	0
- Later than 1 year and not later than 2 years	639,600	0
- Later than 2 years and not later than 5 years	1,674,485	0
	2,953,685	0

The effective interest rate of term loan as at 30 June 2013 was 6.18% per annum. The carrying amount of term loan is reasonable approximation of fair value as its effective interest rate also approximates to the current market interest rates for similar liabilities.

15. DEFERRED TAX LIABILITIES

The Group

	2013 RM	2012 RM
Balance at 1 July	3,626,712	3,437,255
Deferred tax expense/(income) relating to origination and reversal of temporary differences	29,027	(159,833)
Deferred tax liabilities underprovided in prior year	55,000	349,290
Currency translation differences	538	0
Balance at 30 June	3,711,277	3,626,712
In respect of:-		
- Taxable temporary differences of:-		
- Financial instruments	39,000	2,000
- Property, plant and equipment	3,672,277	3,981,712
- Unused capital allowances	0	(67,000)
- Unused tax losses	0	(290,000)
	3,711,277	3,626,712

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15. DEFERRED TAX LIABILITIES (cont'd)

Save as disclosed above, as at 30 June 2013, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group and the Company to the extent of approximately RM956,000 and RM74,000 (2012 : RM290,000 and RM86,000) respectively. No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deductible temporary differences of financial instruments	1,682,000	1,429,000	0	0
Unused capital allowances	5,626,000	2,748,000	586,000	584,000
Unused tax losses with:-				
- Expiry date in 2017	1,643,000	317,000	0	0
- Expiry date in 2018	513,000	0		
- No expiry date	19,904,000	15,853,000	18,000	18,000
Taxable temporary differences of:-				
- Financial instruments	(70,000)	(49,000)	(70,000)	(49,000)
- Property, plant and equipment	(3,752,000)	(1,109,000)	(226,000)	(296,000)
	<u>25,546,000</u>	<u>19,189,000</u>	<u>308,000</u>	<u>257,000</u>

16. DEFERRED INCOME ON GOVERNMENT GRANTS

The Group	2013 RM	2012 RM
Balance at 1 July	82,175	123,263
Amortisation	(41,088)	(41,088)
Balance at 30 June	<u>41,087</u>	<u>82,175</u>

The Group received a grant from local government for the purchase of waste water treatment plant in respect of ISO 14001 Certified Environment Management System and the grant was recognised as income over the useful life of the asset. The grant covered 50% of the project budget as approved by the local government.

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17. SHARE CAPITAL

	2013 RM	2012 RM
Authorised:-		
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:-		
68,080,750 ordinary shares of RM1.00 each	<u>68,080,750</u>	<u>68,080,750</u>

Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 3 July 2002, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders. The details of the shares purchased from the open market using internally generated funds and held as treasury shares are as follows:-

	2013		2012	
	Number of Shares	RM	Number of Shares	RM
Balance at 1 July/30 June	<u>728,200</u>	<u>888,447</u>	<u>728,200</u>	<u>888,447</u>

The number of outstanding shares in issue after excluding the treasury shares is 67,352,550 (2012 : 67,352,550).

Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 27 December 2002. The ESOS has been in force for 10 years from 18 February 2003 and has expired on 17 February 2013.

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17. SHARE CAPITAL (cont'd)

Employees' Share Option Scheme (cont'd)

The movements in the number of options during the financial year are as follows:-

	Number of Options over Ordinary Shares of RM1.00 each	Weighted Average Exercise Price RM	Range of Exercise Prices RM	Weighted Average Remaining Contractual Life
Outstanding at 1 July 2011	2,369,000	1.20		
Lapsed	(160,000)	1.20		
Outstanding at 30 June 2012	<u>2,209,000</u>	1.20	1.20	0.6 year
Exercisable at 30 June 2012	<u>2,209,000</u>	1.20		
Outstanding at 1 July 2012	2,209,000	1.20		
Lapsed/Expired	(2,209,000)	1.20		
Outstanding at 30 June 2013	<u>0</u>	N/A	N/A	N/A
Exercisable at 30 June 2013	<u>0</u>	N/A		

18. LEGAL RESERVE

The Group

Legal reserve is used to record the transfers of profits by a foreign subsidiary upon each dividend declaration in accordance with its country's statutory requirements.

19. REVENUE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sale of goods	90,036,414	97,294,913	0	0
Rendering of services	798,983	502,232	833,180	402,000
Dividend income	7	7,458	2,847,500	4,139,058
Interest income	99,080	266,976	0	0
Rental income	230,160	191,800	0	0
	<u>91,164,644</u>	<u>98,263,379</u>	<u>3,680,680</u>	<u>4,541,058</u>

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20. PROFIT BEFORE TAX

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	186,432	189,795	24,000	24,000
- Prior year	(4,000)	780	0	(1,000)
Deposits written off	0	240,759	0	0
Depreciation of property, plant and equipment	5,557,025	5,336,097	70,905	94,281
Directors' remuneration:-				
- Fees	46,467	22,500	20,000	17,500
- Other emoluments	1,017,475	1,065,474	813,875	719,661
Fee expense for financial instruments not at fair value through profit or loss	97,592	79,478	987	2,167
Impairment loss on available-for-sale financial assets	47,134	34,901	0	0
Impairment loss on investments in subsidiaries ^(a)	0	0	758,072	478,802
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	638,671	1,522,179
- Unrelated parties	239,876	425,629	55,000	16,072
Impairment loss on property, plant and equipment ^(a)	564,564	672,507	0	0
Interest expense for financial liabilities not at fair value through profit or loss	18,795	15,426	0	0
Inventories written down	134,525	2,958,051	0	0
Loss on disposal of property, plant and equipment	0	0	1,232	0
Property, plant and equipment written off	203,481	348,328	5,528	5,179
Realised loss on foreign exchange	347,751	388,951	30	0
Rental of machinery and equipment	9,250	16,638	0	0
Rental of motor vehicles	350	7,446	0	0
Rental of premises	857,331	1,168,259	36,000	24,000

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20. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
and crediting:-				
Amortisation of deferred income on government grants	41,088	41,088	0	0
Bad debts recovered	65	18,000	0	0
Gain on derecognition of available-for-sale financial assets	224,414	40,673	102,356	0
Gain on disposal of property, plant and equipment	163,381	1,807	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	36,180	2,320	0	0
Gain on foreign exchange:-				
- Realised	0	0	0	490
- Unrealised	204,963	206,674	0	0
Gain on winding up of subsidiary	0	0	0	176,529
Grants related to income	12,400	35,128	0	0
Gross dividend income from investments quoted in Malaysia	7	7,458	0	0
Gross dividend income from subsidiaries	0	0	2,847,500	4,139,058
Interest income for financial assets not at fair value through profit or loss	1,124,496	1,910,781	830,026	1,211,374
Rental of premises	279,660	323,528	0	0
Reversal of impairment loss on investment in subsidiary ^(b)	0	0	0	2
Reversal of impairment loss on loans and receivables:-				
- Subsidiary	0	0	71,842	0
- Unrelated parties	61,100	1,041,405	0	0

^(a) Included in administrative and general expenses

^(b) Included in other income

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21. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	24,750,309	26,018,029	2,146,238	1,634,902
Defined contribution plans	<u>2,058,851</u>	<u>2,127,227</u>	<u>229,976</u>	<u>193,247</u>
	<u>26,809,160</u>	<u>28,145,256</u>	<u>2,376,214</u>	<u>1,828,149</u>

22. TAX EXPENSE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax based on results for the year:-				
Malaysian income tax	1,164,117	2,418,599	353,000	715,000
Overseas income tax	101,408	92,062	0	0
Deferred tax	<u>29,027</u>	<u>(159,833)</u>	<u>0</u>	<u>0</u>
	<u>1,294,552</u>	<u>2,350,828</u>	<u>353,000</u>	<u>715,000</u>
Tax (over)/under provided in prior year:-				
Malaysian income tax	(178,875)	(57,700)	7,259	17,873
Overseas income tax	19,846	(13,207)	0	0
Deferred tax	<u>55,000</u>	<u>349,290</u>	<u>0</u>	<u>0</u>
	<u>1,190,523</u>	<u>2,629,211</u>	<u>360,259</u>	<u>732,873</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2013 %	2012 %	2013 %	2012 %
Applicable tax rate	25.00	25.00	25.00	25.00
Non-deductible expenses	45.41	25.50	85.68	36.10
Non-taxable income	(13.48)	(2.80)	(37.91)	(18.24)
Tax incentives claimed	(49.73)	(19.01)	0.00	0.00
Effect of differential tax rates	1.20	8.31	0.00	0.00
Increase in unrecognised deferred tax assets	<u>66.18</u>	<u>22.93</u>	<u>2.71</u>	<u>1.34</u>
Average effective tax rate	<u>74.58</u>	<u>59.93</u>	<u>75.48</u>	<u>44.20</u>

As at 30 June 2013, the Company has sufficient tax credits and tax exempt income to frank/distribute its entire retained profits if paid out as dividends. It may also distribute its entire retained profits as at 30 June 2013 as tax exempt dividends under the single tier tax system.

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23. LOSS PER SHARE

The Group

The basic loss per share is calculated by dividing the Group's loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:-

	2013	2012
Loss for the financial year attributable to owners of the Company (RM)	<u>(548,773)</u>	<u>(1,291,845)</u>
Weighted average number of shares in issue	<u>67,352,550</u>	<u>67,352,550</u>
Basic loss per share (sen)	<u>(0.81)</u>	<u>(1.92)</u>

The diluted loss per share equals the basic loss per share due to the anti-dilutive effect of the share options which has been ignored in calculating the diluted loss per share.

24. DIVIDENDS

The Group and the Company

	2013 RM	2012 RM
Final tax exempt dividend of 2 sen per share in respect of the financial year ended 30 June 2011	<u>0</u>	<u>1,347,051</u>

A final tax exempt dividend of 2 sen per share in respect of the financial year ended 30 June 2013 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

25. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cost of property, plant and equipment purchased	10,991,876	6,223,956	25,154	20,694
Amount financed through hire purchase	<u>0</u>	<u>(300,000)</u>	<u>0</u>	<u>0</u>
Net cash disbursed	<u>10,991,876</u>	<u>5,923,956</u>	<u>25,154</u>	<u>20,694</u>

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26. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,641,848	1,648,881	747,504	658,291
- Defined contribution plan	139,003	146,263	86,371	78,870
	1,780,851	1,795,144	833,875	737,161
Disposal of property, plant and equipment to subsidiaries	0	0	100	4,166
Dividends received from subsidiaries	0	0	2,269,375	3,355,058
Interest charged to subsidiaries	0	0	203,240	415,101
Management fees charged to subsidiaries	0	0	833,180	402,000
Purchase of goods from other related party ^(a)	374,571	316,277	0	0
Purchase of goods from other related party ^(b)	186,802	146,783	0	0
Purchase of property, plant and equipment from subsidiary	0	0	23,532	1,650
Receiving of services from subsidiary	0	0	3,050	0
Receiving of services from other related party ^(a)	195	0	0	0
Rental of premises charged by subsidiary	0	0	36,000	24,000
Share application money paid to subsidiary	0	0	69,930	0
Subscription for shares in subsidiaries	0	0	8,000,000	1,499,998

^(a) Being a company in which a director has a substantial financial interest

^(b) Being a company in which close family members of a director have substantial financial interests

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27. SEGMENT REPORTING

The Group

Operating Segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- | | |
|-------------------------------------|---|
| (i) Precision tooling and equipment | - Manufacture of precision moulds, tooling and dies, design and manufacture of automated machines, semiconductor assembly and testing equipment |
| (ii) Precision metal components | - Manufacture of precision machined components, precision stamping, sheet metal parts and surface treatment |
| (iii) Metal fabrication | - Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment |
| (iv) Property development | - Property development |

Except as indicated above, no operating segments have been aggregated to form the above reportable segments. "Other operating segments" category consists of small operations related to food and beverage business, money lending, general trading and hotel operation.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

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27. SEGMENT REPORTING (cont'd)

Operating Segments (cont'd)

	Precision tooling and equipment RM	Precision metal components RM	Metal fabrication RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
<u>2013</u>								
STATEMENT OF FINANCIAL POSITION								
Segment assets	11,986,930	65,143,849	14,947,262	13,741,713	6,467,139	94,168,970	(63,008,568)	143,447,295
Included in the measure of segment assets are:-								
- Additions to non-current assets	240,929	10,465,057	264,830	0	23,625	29,739	(32,304)	10,991,876
Segment liabilities	4,779,388	17,128,899	1,450,831	3,406,031	7,314,453	4,704,920	(15,342,002)	23,442,520
STATEMENT OF COMPREHENSIVE INCOME								
Segment profit/(loss)	294,354	3,604,630	(2,326,011)	(35,076)	(431,670)	280,296	(841,347)	545,176
Included in the measure of segment profit/(loss) are:-								
- External revenue	21,583,427	55,471,900	12,935,005	0	927,472	246,840	0	91,164,644
- Intersegment revenue	191,407	508,713	97,704	0	14,635	4,129,202	(4,941,661)	0
- Interest income	46,060	311,451	24,609	0	2,030	844,506	(203,240)	1,025,416
- Reversal of impairment loss on loans and receivables	61,100	0	0	0	0	71,842	(71,842)	61,100
- Other non-cash income	52,018	232,533	0	0	0	0	0	284,551
- Interest expense	0	18,795	141,148	0	62,092	0	(203,240)	18,795
- Depreciation	391,006	3,919,727	781,039	0	270,232	289,629	(94,608)	5,557,025
- Impairment loss on loans and receivables	63,634	63,894	0	0	57,348	693,671	(638,671)	239,876
- Impairment loss on property, plant and equipment	112,549	12,056	387,490	0	52,469	0	0	564,564
- Inventories written down	5,678	8,687	120,160	0	0	0	0	134,525
- Other non-cash expenses	1,894	45,011	73,846	0	77,202	52,662	0	250,615
- Tax expense/(income)	307,581	1,070,557	(13,000)	12	(25,366)	441,864	(591,125)	1,190,523

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27. SEGMENT REPORTING (cont'd)

Operating Segments (cont'd)

	Precision tooling and equipment RM	Precision metal components RM	Metal fabrication RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
<u>2012</u>								
STATEMENT OF FINANCIAL POSITION								
Segment assets	12,997,097	80,853,042	18,749,532	13,646,643	7,676,556	94,756,956	(58,454,192)	170,225,634
Included in the measure of segment assets are:-								
- Additions to non-current assets	570,530	4,272,735	473,994	6,127,324	1,033,989	38,818	(166,110)	12,351,280
Segment liabilities	5,289,673	7,400,341	9,927,090	3,375,886	8,092,199	4,756,803	(18,371,820)	20,470,172
STATEMENT OF COMPREHENSIVE INCOME								
Segment (loss)/profit	(1,625,785)	5,786,508	(2,086,222)	10,772	(302,008)	765,931	(1,255,809)	1,293,387
Included in the measure of segment (loss)/profit are:-								
- External revenue	22,137,931	59,888,561	15,007,537	0	1,029,200	200,150	0	98,263,379
- Intersegment revenue	151,638	83,581	86,245	0	62,710	5,150,699	(5,534,873)	0
- Interest income	56,454	761,674	7,074	0	2,137	1,231,767	(415,301)	1,643,805
- Reversal of impairment loss on loans and receivables	311,405	0	0	0	730,000	0	0	1,041,405
- Other non-cash income	0	250,082	0	0	0	0	0	250,082
- Interest expense	15,144	12,488	286,926	0	116,169	0	(415,301)	15,426
- Depreciation	449,616	3,708,259	732,972	0	228,379	311,479	(94,608)	5,336,097
- Impairment loss on loans and receivables	470,804	0	197,683	0	0	1,551,321	(1,794,179)	425,629
- Impairment loss on property, plant and equipment	202,928	156,579	313,000	0	0	0	0	672,507
- Inventories written down	2,288,142	0	669,909	0	0	0	0	2,958,051
- Other non-cash expenses	325,501	73,796	1,897	0	181,050	41,744	0	623,988
- Tax expense/(income)	371,529	1,970,192	(204,076)	3,916	34,385	1,163,265	(710,000)	2,629,211

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27. SEGMENT REPORTING (cont'd)

Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	51,223,462	63,548,042	71,090,695	65,234,226
China	7,807,033	8,965,140	5,269,249	6,327,854
Singapore	19,401,833	16,142,375	379,549	331,106
Other foreign countries	12,732,316	9,607,822	0	0
	<u>91,164,644</u>	<u>98,263,379</u>	<u>76,739,493</u>	<u>71,893,186</u>

Major Customers

The Group does not have any major customer that contributed 10% or more of its total revenue.

28. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	2013 RM	2012 RM
Approved but not contracted	342,000	1,070,000
Contracted but not provided for	<u>1,901,000</u>	<u>640,000</u>
	<u>2,243,000</u>	<u>1,710,000</u>

29. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM5,830,000 (2012 : RM32,628,000). The total utilisation of these credit facilities as at 30 June 2013 amounted to approximately RM3,526,000 (2012 : RM78,000).

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29. CONTINGENT LIABILITIES - UNSECURED (cont'd)

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

30. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 29.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

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30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Renminbi ("RMB") whereas the major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase/ (Decrease) in Profit 2013 RM	Increase/ (Decrease) in Profit 2012 RM
Appreciation of USD against RM by 5% (2012 : 10%)	229,853	312,442
Depreciation of USD against RM by 5% (2012 : 10%)	(229,853)	(312,442)
Appreciation of USD against RMB by 10% (2012 : 5%)	27,847	7,037
Depreciation of USD against RMB by 10% (2012 : 5%)	<u>(27,847)</u>	<u>(7,037)</u>

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

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30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase/ (Decrease) in Profit 2013 RM	Increase/ (Decrease) in Profit 2012 RM
Increase in interest rates by 50 basis points	(11,076)	0
Decrease in interest rates by 50 basis points	<u>11,076</u>	<u>0</u>

31. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	The Group	
	2013 RM	2012 RM
Total loans and borrowings	2,953,685	213,367
Total equity	<u>120,004,775</u>	<u>149,755,462</u>
Total capital	<u>122,958,460</u>	<u>149,968,829</u>
Debt-to-equity ratio	<u>0.025 : 1</u>	<u>0.001 : 1</u>

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

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32. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 7 October 2013, a subsidiary, LD Global Sdn. Bhd. ("LD"), entered into a sale and purchase agreement to acquire a piece of freehold land for purchase consideration of RM14,000,000. LD intends to develop the land after obtaining the approval of the land conversion.

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SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2013 RM	2012 RM (Restated)	2013 RM	2012 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	52,261,067	53,943,779	13,913,269	13,805,870
- Unrealised	<u>637,509</u>	<u>788,713</u>	<u>0</u>	<u>0</u>
	52,898,576	54,732,492	13,913,269	13,805,870
Consolidation adjustments and eliminations	<u>(4,610,043)</u>	<u>(14,812,734)</u>	<u>0</u>	<u>0</u>
Total retained profits as per statement of financial position	<u>48,288,533</u>	<u>39,919,758</u>	<u>13,913,269</u>	<u>13,805,870</u>

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.