

KOBAY

TECHNOLOGY BHD

Annual Report 2014



EXPEDITING EXCELLENCE

OUR VALUES & BELIEFS

Our shared values and beliefs are the foundation upon which our company is built. We believe that our people, striving towards a shared vision and guided by a common set of values and beliefs are our most valuable asset and the ultimate sustainable source of our competitive advantage.

We are guided by our
A.C.T.I.O.N.S.
which underlie the culture of the
KOBAY Group of Companies.

Agility
Can-Do attitude
Teamwork
Initiative and accountability
Ownership and pride
Never stop learning
Speed of response

OUR VISION

To be a market leader and pre-eminent supplier to customers worldwide.

OUR MISSION

To pursue excellence in all aspects of our business to serve our customers in the global market.

To achieve sustainable, profitable growth, we combine market leading technology with a highly competent and committed workforce to achieve business excellence which is reflected in the products and services we offer.

Success is measured by our ability to create economic value, bond with our customers and suppliers, promote a sense of pride and ownership amongst our employees and produce a higher return of equity to our shareholders.

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CORPORATE INFORMATION

Board of Directors

Dr. Mohamad Zabdi Bin Zamrod
Chairman / Independent and Non-executive Director

Dato' Koay Hean Eng
Managing Director / Chief Executive Officer

Koay Cheng Lye
Executive Director / Chief Administrative Officer

Lim Swee Chuan
Executive Director / Chief Financial Officer

Koay Ah Bah @ Koay Cheng Hock
Non-independent and Non-executive Director

Khaw Eng Peng
Independent and Non-executive Director
(redesignated as Senior Independent and Non-executive Director on 13 October 2014)

Tan Yok Cheng DJN, PJK, PJM
Senior Independent and Non-executive Director
(resigned on 13 October 2014)

Audit and Risk Management Committee

Tan Yok Cheng DJN, PJK, PJM
Chairman
(resigned on 13 October 2014)

Khaw Eng Peng
Member
(redesignated as Chairman on 13 October 2014)

Dr. Mohamad Zabdi Bin Zamrod
Member

Koay Ah Bah @ Koay Cheng Hock
Member
(appointed on 13 October 2014)

Nominating Committee

Tan Yok Cheng DJN, PJK, PJM
Chairman
(resigned on 13 October 2014)

Khaw Eng Peng
Member
(redesignated as Chairman on 13 October 2014)

Koay Ah Bah @ Koay Cheng Hock
Member

Dr. Mohamad Zabdi Bin Zamrod
Member
(appointed on 13 October 2014)

Remuneration Committee

Tan Yok Cheng DJN, PJK, PJM
Chairman
(resigned on 13 October 2014)

Dr. Mohamad Zabdi Bin Zamrod
Member

Dato' Koay Hean Eng
Member
(redesignated as Chairman on 13 October 2014)

Khaw Eng Peng
Member
(appointed on 13 October 2014)

Secretaries

Chan Mun Shee (MAICSA 7003071)
Email : cosec@kobaytech.com

Wong Mee Choon (MACS 01562)

Registered Office

Plot 30, Hilir Sungai Kluang 1,
Bayan Lepas Industrial Park,
Phase 4, 11900 Bayan Lepas,
Penang.
Tel : (04) 6411888
Fax : (04) 6412888

Registrar

Agriteum Share Registration Services Sdn. Bhd.
2nd Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 Penang.
Tel : (04) 2282321
Fax : (04) 2272391
Email : agriteumshare@gmail.com

Auditors

Crowe Horwath
Chartered Accountants
17.01 Menara Boustead Penang,
39, Jalan Sultan Ahmad Shah,
10050 Penang.
Tel : (04) 2277061
Fax : (04) 2278011

Bankers

Ambank Malaysia Berhad
Alliance Bank Malaysia Berhad
Public Bank Berhad
Malayan Banking Berhad

Stock Exchange Listing

Main Market, Bursa Malaysia Securities Berhad
(Stock Code : 6971, Stock Name: KOBAY)

Website: www.kobaytech.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth (20th) Annual General Meeting ("AGM") of Kobay Technology Bhd. will be held at Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang on Thursday, 18 December 2014 at 2.30 p.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2014 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of first and final single tier dividend of 3.0 sen in respect of the financial year ended 30 June 2014. Resolution 1
3. To re-appoint Dr. Mohamad Zabdi Bin Zamrod as Company Director, who has attained age over seventy years old pursuant to Section 129(6) of the Companies Act 1965 and to retain him as Independent Non-executive Director ("Independent NED") in accordance with Malaysian Code of Corporate Governance 2012 ("MCCG 2012"). Resolution 2
4. To re-elect Mr. Koay Cheng Lye as Company Director, who retires in accordance with Article 95 of the Company's Articles of Association. Resolution 3
5. To re-elect Mr. Lim Swee Chuan as Company Director, who retires in accordance with Article 95 of the Company's Articles of Association. Resolution 4
6. To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration. Resolution 5

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-

7. **ORDINARY RESOLUTION**
PAYMENT OF DIRECTORS' FEES Resolution 6

"THAT the payment of Directors' fees totaling Ringgit Malaysia Twenty Thousand (RM20,000) only to the Non-executive Directors for the financial year ended 30 June 2014 be and is hereby approved."
8. **ORDINARY RESOLUTION**
AUTHORITY TO ALLOT SHARES IN ACCORDANCE TO SECTION 132D OF THE COMPANIES ACT, 1965 Resolution 7

"THAT subject always to the Companies Act, 1965 ("the Act") and the approvals from the relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Act, to issue and allot shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit PROVIDED THAT the aggregate number of shares to be issued (inclusive employee share option scheme exercised by the employees, if any) pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company."
9. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY Resolution 8

"THAT subject to the compliance by the Company with all applicable laws, regulations and guidelines pursuant to the Act, the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Securities and the approvals of all relevant authorities, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares of RM1.00 each in the Company ("shares") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company PROVIDED THAT the maximum number of shares purchased and/or held pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company at any given point in time and that the maximum amount of fund allocated by the Company for the purpose of purchasing the shares shall not exceed the retained profits and/or the share premium accounts of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

ORDINARY RESOLUTION

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

9. THAT authority be and is hereby given to the Directors to treat the shares so purchased by the Company pursuant to this Proposed Share Buy-back in accordance with the provision of the Act, which allows a Company that has purchased its own shares to either retain part of or entire shares as treasury shares or cancel part of or entire shares, or a combination of both. The shares so retained as treasury shares by the Company may, either be distributed as share dividends to shareholders or resell on Bursa Securities or in any manner pursuant to the Act, Bursa Securities Listing Requirements or any other relevant authority for the time being in force.

THAT such authority from the shareholders would be effective immediately upon passing of this resolution and would continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the AGM at which such resolution was passed, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT authority be and is hereby given to the Directors to take all such steps as are necessary or expedient to implement or to give effect of the Proposed Share Buy-back Authority with full powers to assent to any conditions, modifications, re-valuations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Twentieth (20th) Annual General Meeting, the first and final single tier dividend of 3.0 sen per ordinary share in respect of the financial year ended 30 June 2014 will be paid on 20 January 2015 to depositors registered in the Records of Depositors on 31 December 2014.

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

- a) Shares transferred into the depositor's securities account before 4.00 p.m. on 31 December 2014 in respect of ordinary transfers;
- b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

BY ORDER OF THE BOARD

CHAN MUN SHEE (MAICSA 7003071)
WONG MEE CHOON (MACS 01562)
Company Secretaries

Penang, 26 November 2014

NOTES:

- 1. A proxy may but need not be a member or a qualified legal practitioner, or an approved company auditor or a person approved by the Registrar and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 2. To be valid, this form, duly completed must be deposited with the registered office of the Company, at Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang not less than forty eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
- 3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation this form must be executed under the corporation's common seal, or under the hand of an officer or attorney duly authorized.
6. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 11 December 2014 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

EXPLANATORY NOTES:

Resolution 2

Dr. Mohamad Zabdi Bin Zamrod who has attained the age above 70 years old has been re-appointed as Director of the Company last year under Section 129(6) and his tenure of service shall be ended in the forthcoming AGM. In accordance with MCGG 2012, the Nominating Committee has assessed the independency of Dr. Mohamad Zabdi Bin Zamrod, who has served as Independent and Non-executive Director for a cumulative term of more than 9 years, and recommended to Board of Directors to retain Dr. Mohamad Zabdi Bin Zamrod as Independent Non-executive Director. In line with Recommendation 3.3 of MCGG 2012, the Board recommends and proposes to the shareholders' approval to retain Dr. Mohamad Zabdi Bin Zamrod as Independent Non-executive Director of the Company on the following justifications:-

- 1) He has fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad thus enable him to perform a check and balance role in the Board;
- 2) He has performed his duty diligently and in the best interest of the Company with his experience and independent view from a different perspective of the management; and
- 3) He does not hold any shares in the Company, no relationship with other Board members nor having any business dealing or transaction with the Company or the Group before his appointment till to-date.

Resolution 6

The proposed Ordinary Resolution under item 7 is to obtain shareholders' approval for the payment of Directors' fees totalling Ringgit Malaysia Twenty Thousand (RM20,000) only to the four Non-executive Directors for the financial year ended 30 June 2014 as required under Article 103 of the Company's Articles of Association.

Resolution 7

A mandate was sought and approved by the members during the Nineteenth (19th) AGM held on 18 December 2013. No new shares were issued and no proceeds were raised from the previous mandate.

If the proposed Ordinary Resolution is passed, the Directors will be empowered to issue and allot shares in the Company at any time and for such purposes as the Directors consider would be in the interests of the Company up to an aggregate not exceeding 10% of the Company's issued capital without the need to convene separate general meetings to obtain its shareholders' approval so as to avoid incurring additional cost and time. This authority unless revoked or varied at the general meeting, will expire at the next AGM.

The mandate will provide flexibility to the Company for any possible fund raising exercises including but not limited to placing of shares for the purpose of funding future investment project(s), working capital and/or acquisition(s) and such other application as the Directors may deem fit and in the best interest of the Company.

Resolution 8

The proposed Ordinary Resolution under item 9 is of renewal and if passed, will allow the Company to purchase up to ten per cent (10%) of the total issued and paid-up share capital of the Company at any given point in time. This authority unless revoked or varied at the general meeting, will expire at the next AGM. The details of this proposal are set out in the Circular to Shareholders dated 26 November 2014.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The profile of the Directors who are standing for re-appointment and re-election (as per Resolution 2-4 as stated in the Notice of Annual General Meeting) at the Twentieth (20th) Annual General Meeting of Kobay Technology Bhd. which will be held at Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang on Thursday, 18 December 2014 at 2.30 p.m., are stated on page 7 & 8 of the Annual Report 2014.

There is no individual standing for election as new Director (excluding Directors standing for re-election) at this forthcoming Annual General Meeting.

CORPORATE STRUCTURE

BUSINESS UNIT	Effective equity interest @ 31.10.2014
Precision Tooling & Equipment Division	
Polytool Technologies Sdn. Bhd.	100.00 %
Maker Technologies Sdn. Bhd.	100.00 %
Microhandling Asia Pte. Ltd. **	59.88 %
Precision Metal Components Division	
Paradigm Precision Components Sdn. Bhd.*	100.00 %
Paradigm Metal Industries Sdn. Bhd.*	100.00 %
Lipo Precision Industry (Suzhou) Co., Ltd.*	100.00 %
Micro Surface Treatment Sdn. Bhd.*	88.00 %
Metal Fabrication Division	
Bend Weld Engineering Sdn. Bhd.	100.00 %
Property Development Division	
Super Tropica Development Sdn. Bhd.*	100.00 %
LD Global Sdn. Bhd.	100.00 %
The 12 Avenues Sdn. Bhd.	70.00 %
Kobay Land Sdn. Bhd. (formerly known as Fine Desserts Sdn. Bhd.)	100.00 %
Others (Property Investment Holding, Hotel & etc.)	
Lipo Corporation Sdn. Bhd.	100.00 %
Kobay Assets Sdn. Bhd.	100.00 %
Kobay Sawin Sdn. Bhd.	100.00 %
Polytool Precision Sdn. Bhd.	100.00 %
Paradigm Precision Machining Sdn. Bhd.*	100.00 %
Kewjaya Sdn. Bhd.	100.00 %
Kobay Systems Sdn. Bhd.	70.00 %
Kobay Project Venture Sdn. Bhd. (formerly known as Polytool Integration Sdn. Bhd.)	100.00 %
Kobay SCM (S) Pte. Ltd.	60.00 %
- United Manufacturing Corporation Pte. Ltd.**	60.00 %
Lodge 18 Sdn. Bhd.	100.00 %
Wirama Progresif Sdn. Bhd.	70.00 %
* Subsidiaries of Lipo Corporation Sdn. Bhd.	
** Subsidiaries of Kobay SCM (S) Pte. Ltd.	

BOARD OF DIRECTORS

Dr. Mohamad Zabdi Bin Zamrod

Malaysian – aged 72

Chairman / Independent and Non-executive Director / Member of Audit and Risk Management Committee and Remuneration Committee and newly appointed as Member of Nominating Committee

Dr. Mohamad Zabdi Bin Zamrod was appointed to the Board on 30 March 2002. Dr. Mohamad Zabdi holds a Doctorate in Curriculum and Teaching from the Columbia University, New York. He was a lecturer in Universiti Sains Malaysia for more than 10 years before retiring.

Dr. Mohamad Zabdi has no direct/indirect shareholding in Kobay as at 31 October 2014.

Dr. Mohamad Zabdi has offered for re-appointment as Independent Non-executive Director of the Company in the forthcoming Annual General Meeting pursuant to section 129(6) of the Companies Act, 1965 in attaining age over seventy years old and also in the best practice of the Malaysia Code of Corporate Governance 2012, of which his independency declaration has been received by the Board of Directors as of the date of the notice.

Dato' Koay Hean Eng

Malaysian – aged 56

Managing Director / Chief Executive Officer / Member of Executive Committee and newly re-designated as Chairman of Remuneration Committee

Dato' Koay Hean Eng was appointed to the Board on 17 September 1994. He holds a certificate of vocational education and is the co-founder of Kobay Group. With more than 30 years of experience in the precision engineering industry, he has significantly contributed to the growth of Kobay Group. He holds directorships in the subsidiaries of the Company and other private limited companies.

As at 31 October 2014, Dato' Koay Hean Eng has direct shareholding of 1,654,154 ordinary shares in the Company. He also has indirect shareholding of 17,523,007 ordinary shares in the Company, by virtue of his direct interest in Kobay Holdings Sdn. Bhd., a major shareholder of the Company. He is also deemed to have an interest in the shares of all the subsidiary companies of the Company to the extent that the Company has an interest, by virtue of his shareholding in the Company.

Koay Cheng Lye

Malaysian – aged 66

Executive Director / Chief Administrative Officer / Member of Executive Committee

Being the co-founder of Kobay Group, Mr. Koay Cheng Lye was first appointed as Executive Director on 17 September 1994. He sits on the Board of a number of subsidiaries of the Company and other private limited companies. He has more than 30 years of experience in the precision engineering industry and possesses in-depth knowledge of the overall operations of the Group.

As at 31 October 2014, Mr. Koay Cheng Lye has direct shareholding of 1,058,995 ordinary shares in the Company. He also has indirect shareholding of 17,523,007 ordinary shares in the Company, by virtue of his direct interest in Kobay Holdings Sdn. Bhd., a major shareholder of the Company. He is also deemed to have an interest in the shares of all the subsidiary companies of the Company to the extent that the Company has an interest, by virtue of his shareholding in the Company.

Mr Koay Cheng Lye is subject to retirement by rotation under Article 95 of the Company's Article of Association at the forthcoming Annual General Meeting and being eligible, has offered himself for re-election.

Koay Ah Bah @ Koay Cheng Hock

Malaysian – aged 68

Non-independent and Non-executive Director / Member of Nominating Committee and newly appointed as Member of Audit and Risk Management Committee

Mr. Koay Ah Bah @ Koay Cheng Hock, was appointed to the Board on 25 January 1999. He is also a Director of Polytool Technologies Sdn. Bhd., a wholly owned subsidiary of the Company. He has 30 years of experience in mechanical engineering field and has more than 10 years experience in property development industry.

As at 31 October 2014, Mr. Koay Ah Bah @ Koay Cheng Hock has direct shareholding of 884,665 ordinary shares in the Company. He also has indirect shareholding of 17,523,007 ordinary shares in the Company, by virtue of his direct interest in Kobay Holdings Sdn. Bhd., a major shareholder of the Company. He is also deemed to have an interest in the shares of all the subsidiary companies of the Company to the extent that the Company has an interest, by virtue of his shareholding in the Company.

BOARD OF DIRECTORS (CONT'D)

Lim Swee Chuan

Malaysian – aged 48

Executive Director / Chief Financial Officer / Member of Executive Committee

Mr. Lim Swee Chuan joined Kobay as an accountant in 1995. He was appointed to the Board on 29 November 2001 and is presently the Chief Financial Officer of Kobay Group. He oversees the Kobay Group's corporate finance and accounting functions and also holds directorships in most of the subsidiaries of the Company.

He graduated in 1991 with a Bachelor of Accounting (Honours) degree from Universiti Utara Malaysia. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants as well as Chartered Tax Institute of Malaysia. Upon graduation, he worked for Cycle & Carriage (M) Sdn. Bhd. as a Group Internal Audit Executive from 1991 to 1992. Between 1992 and 1995, he was attached to Price Waterhouse (now known as PricewaterhouseCoopers) where his last position was an Audit Senior.

As at 31 October 2014, Mr. Lim Swee Chuan has no direct/indirect shareholding in Kobay.

Mr Lim Swee Chuan is subject to retirement by rotation under Article 95 of the Company's Article of Association at the forthcoming Annual General Meeting and being eligible, has offered himself for re-election.

Khaw Eng Peng

Malaysian – aged 47

Re-designated as Senior Independent and Non-executive Director, Chairman of Audit and Risk Management Committee and Chairman of Nominating Committee and newly appointed as member of the Remuneration Committee

Mr. Khaw Eng Peng was appointed to the Board of Kobay on 30 July 2010.

He is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. Upon completion of his professional examination, he joined Messrs. Coopers & Lybrand (now merged under the firm PricewaterhouseCoopers) in 1993, attaching to audit and compliance services division of the firm. In 1996, he left audit practice, as Assistant Audit Manager and joined Oriental Interest Berhad ("OIB") Group as Senior Manager in Finance and Administration Department. He was promoted to Assistant General Manager in year 2001, overseeing all financial reporting, corporate compliance and administration aspects for OIB Group. Mr. Khaw was appointed as Executive Director of OIB on 5 November 2007 and held the position until 13 December 2013, when he resigned from the Board of OIB and was re-designated as Chief Financial Officer upon the closing of a mandatory general offer exercise.

Mr. Khaw was on 13 October 2014, re-designated as Senior Independent and Non-executive Director, Chairman of Audit and Risk Management Committee and Chairman of Nominating Committee. He was also newly appointed as Member of the Remuneration Committee on the even date.

Mr. Khaw Eng Peng has no direct/indirect shareholding in Kobay as at 31 October 2014.

BOARD OF DIRECTORS (CONT'D)

OTHER INFORMATION

Family Relationship

Dato' Koay Hean Eng, Mr. Koay Cheng Lye and Mr. Koay Ah Bah @ Koay Cheng Hock are brothers and they are also major shareholders of the Company via their shareholdings in Kobay Holdings Sdn. Bhd., a major shareholder of the Company.

Save for the above, none of the Directors have any family relationship with other Directors or major shareholders of the Company.

Conflict of Interest

None of the Company's Directors has acted in conflict in any arrangement, contract or transaction during the financial year.

Conviction for Offences

None of the Company's Directors had convicted any offence (other than traffic offences, if any) within the past ten (10) years.

Number of board meetings attended in the financial year ended 30 June 2014

Four (4) board meetings were held during the financial year ended 30 June 2014. Details of attendance of Directors at the board meetings are as follows:-

Directors	Attendance
Koay Cheng Lye	4/4
Dato' Koay Hean Eng	4/4
Koay Ah Bah @ Koay Cheng Hock	4/4
Lim Swee Chuan	4/4
Dr. Mohamad Zabdi Bin Zamrod	3/4
Khaw Eng Peng	4/4
Tan Yok Cheng	4/4

Directors' and Major Shareholders' Interests

Name	No. of shares held in Kobay as at 31.10.2014			
	Direct		Indirect	
	No. of ordinary shares of RM1.00 each	% ^	No. of ordinary shares of RM1.00 each	% ^
Directors				
Dato' Koay Hean Eng	1,654,154	2.46	*17,523,007	26.02
Koay Cheng Lye	1,058,995	1.57	*17,523,007	26.02
Koay Ah Bah @ Koay Cheng Hock	884,665	1.31	*17,523,007	26.02
Lim Swee Chuan	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
Khaw Eng Peng	—	—	—	—
Major Shareholders				
Kobay Holdings Sdn. Bhd. ("KHSB")	17,523,007	26.02	—	—
Norinv Kapital Sdn. Bhd.	12,648,900	18.78	—	—
Dato' Koay Hean Eng	1,654,154	2.46	*17,523,007	26.02
Koay Cheng Lye	1,058,995	1.57	*17,523,007	26.02
Koay Ah Bah @ Koay Cheng Hock	884,665	1.31	*17,523,007	26.02

By virtue of their interest in the shares of Kobay, Dato' Koay Hean Eng, Mr. Koay Cheng Lye and Mr. Koay Ah Bah @ Koay Cheng Hock are also deemed to have an interest in the shares of all the subsidiary companies of Kobay to the extent that Kobay has an interest.

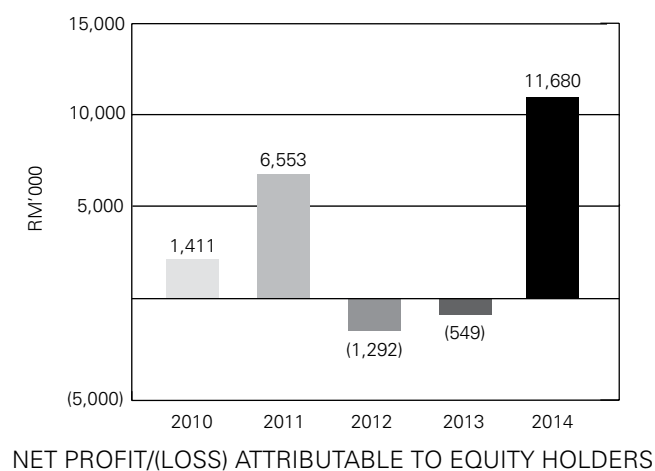
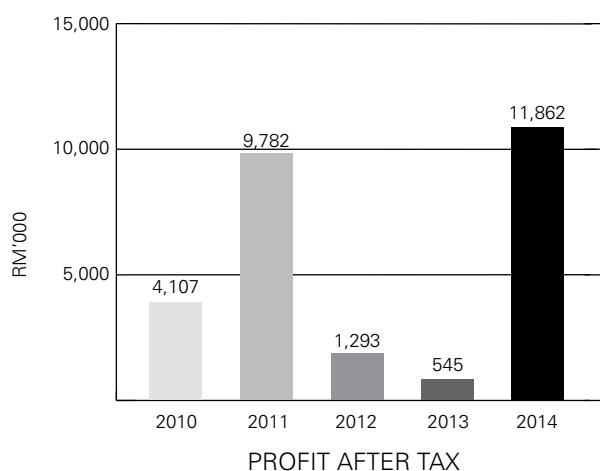
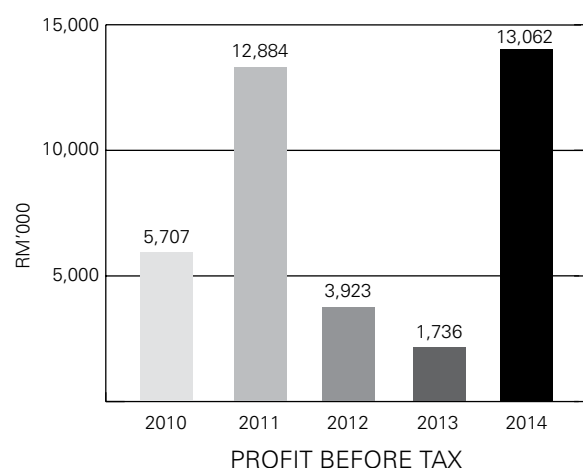
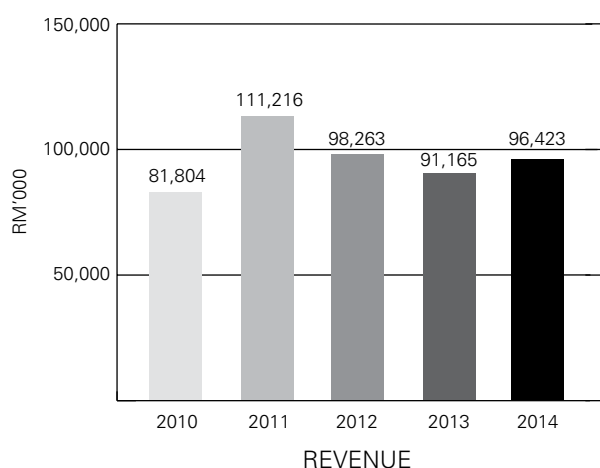
Notes:-

* Deemed interest by virtue of the Directors' direct interest in KHSB, a major shareholder of the Company

^ The percentage of shareholding is calculated based on 67,352,550 ordinary shares after deducting 728,200 treasury shares (retained by the Company as per Record of Depositors) from the fully issued and paid-up capital of the Company of RM68,080,750 consisting of 68,080,750 ordinary shares of RM1 each.

GROUP FINANCIAL HIGHLIGHTS

Group Financial Highlights	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Statement of Comprehensive Income					
Revenue	81,804	111,216	98,263	91,165	96,423
Profit before tax	5,707	12,884	3,923	1,736	13,062
Profit after tax	4,107	9,782	1,293	545	11,862
Net profit/ (loss) attributable to equity holders	1,411	6,553	(1,292)	(549)	11,680
Statement of Financial Position					
Total Assets	167,115	169,897	170,226	143,447	165,768
Total Borrowing	–	157	213	2,954	12,389
Shareholders' Equity	105,925	111,782	109,205	118,327	129,148
Financial Indicators					
Earning/ (loss) per share (sen)	2.10	9.73	(1.92)	(0.81)	17.34
Gearing ratio (%)	–	0.10	0.14	2.46	9.54
Net assets per share (RM)	1.57	1.66	1.62	1.76	1.92
Tax exempt/ Single tier dividend per share (sen)	1.5	2.0	–	2.0	3.0
Share price as at the financial year end (RM)	0.61	0.77	0.84	0.64	1.20
Price earning (PE) ratio as at financial year end (times)	29.05	7.91	–	–	6.92



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and audited Financial Statements of Kobay Technology Bhd. and its subsidiaries ("the Group") for the financial year ended 30 June 2014.

This year, we are celebrating our Group's 30th Anniversary. The remarkable improvement in the Group's performance in FY2014 is a complement to our anniversary celebration.

BUSINESS OVERVIEW

The financial year 2014 saw gradual improvements in global economy as a result of major advanced economies' accommodative monetary measures to stimulate their economy activities. However, the global demand remains modest as the threat of high unemployment and persistent economy uncertainties continued to suppress wages and the consumption appetite in the advanced economies. As most of our businesses are still related to the export-led manufacturing sectors, the conditions of global market such as world economy health, market competitiveness and end-users' product demand have a bearing on the Group's performance.

KEY FINANCIAL HIGHLIGHTS

For the financial year 2014, we have performed better as compared to last year. The Group recorded profit attributable to owners of the company of RM11.9 million with revenue of RM96.4 million, in comparison with preceeding year's performance of loss of RM0.5 million and revenue of RM91.1 million. Excluding the non-recurring items of gain from disposal of factory property of RM5.8 million and bad debts recovered of RM1.4 million which amounted to RM7.2 million, the Group has recorded RM4.7 million profit in the financial year, a commendable improvement as compared to last year.

In terms of performance contributors, the Precision Metal Components Division continued to be the major contributor of the Group results with their successful penetration into niche market of aerospace, medical and oil & gas industries and provision of higher value complex products to customers. The Metal Fabrication Division has also succeeded in turning around the business performance to contribute positively to the Group results. We are seeing results from the corporate strategies that have been carried out to improve the company's bottom line.

As for the Group financial position, the cash and cash equivalents stood at RM36.1 million as at 30 June 2014 as compared to last year of RM34.2 million. The net assets per ordinary share attributable to owners of the parent have increased to RM1.92 as compared to last year of RM1.76.

OUTLOOK AND PROSPECT

Presently, the world economy is again facing a few turbulences that can derail its growth path. Surrounding with uncertainties in the success of China government's efforts in re-balancing its economic growth, threat from rising crude oil price caused by the military conflicts in Middle East, political tensions and economic sanctions between Russia and Western World and possibility of interest rate rise in United States in the coming year, all these will suppress and have an impact on the already fragile world economy. We foresee a challenging environment ahead in the coming financial year.

Nevertheless, with the hard work put in by our manufacturing division to climb up the supply chain ladder in providing more complex and value added products and continue expansion into niche market, we are confident of positive results from these efforts. To mitigate the cyclical up and down of manufacturing industries, we will maintain with our strategy to diversify into property development business to broaden the Group's income stream. The Group's assets that are idle or under-utilized will be disposed of or monetized to provide cash for property development projects.

In the incoming years, we are looking forward to the commencement of property development projects that are at various stage of development preparation which, we believe will be the next source of income for the Group. We will also continue looking for good business opportunities to grow our Group, leveraging on the healthy financial position.

CHAIRMAN'S STATEMENT (CONT'D)

DIVIDENDS

For the financial year ended 30 June 2014, the Board of Directors has recommended a first and final single tier dividend of 3 sen per ordinary share to reward our loyal shareholders.

APPRECIATION

The Board of Directors extends its appreciation and gratitude to Mr. Tan Yok Cheng who has resigned on 13 October 2014 to focus on his own business venture. The Board would like to thank him for his invaluable contributions during his directorship.

Lastly, I would like to take this opportunity on behalf of the Board, to record our sincere appreciation and gratitude of the unwavering support of our customers, business partners and government authorities that have been extended to our Group of companies. We would also like to express our heartfelt thanks to all our employees for their hard work, dedication and commitment.

Thank you.

DR. MOHAMAD ZABDI BIN ZAMROD

Independent and Non-executive Chairman

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MANAGEMENT DISCUSSION AND ANALYSIS

Despite the economic challenges and tough business environment, the Group managed to ride through the challenges and delivered an improved set of financial results in FY2014. The consolidation exercise undertaken by the Group in FY2013 was a success one, which saw a remarkable improvement in the Group's operations and bottom line.

REVIEW OF RESULTS

The Group posted revenue of RM96.4 million with profit attributable to shareholders of RM11.6 million for FY2014 as compared to revenue of RM91.1 million and loss of RM0.5 million for FY2013. The significant improvement in earnings was mainly due to:-

- i) Improvement in the results of Precision Metal Components Division which posted a higher profit after tax of RM5.2 million for FY2014 as compared to RM3.6 million in FY2013.
- ii) The Metal Fabrication Division recorded profit after tax of RM6.1 million for FY2014. Apart from a one-off gain from disposal of property amounted to RM5.8 million, this Division managed to turn from loss of RM2.3 million in FY2013 to net profit of RM0.3 million in FY2014.
- iii) Bad debt recovered by a money lending subsidiary from a default loan debtor amounted to RM1.4 million.

REVIEW OF OPERATIONS

The Group's operations are divided into two major segments:-

Manufacturing

- Precision Metal Components
- Precision Tooling and Equipment
- Metal Fabrication

Property Development & Others

- Property Development
- Others (property investment holding, hotel & etc.)

Precision Metal Components Division

The Precision Metal Components Division deals with manufacturing of precision machined components, metal stamping, sheet metal works and surface treatments. This division is presently the core division of the Group which contributed more than 66% of the Group revenue in FY2014.

The Precision Metal Components Division is operating in two geographical locations, namely Malaysian operation and China operation. For FY2014, The Malaysian operation continued to deliver satisfactory performance but the China operation suffered net loss of RM1.4 million.

The core subsidiaries of Malaysian operation continued to perform satisfactorily attributable to its ability to provide wide range of manufacturing capabilities, ranging from precision machining, sheet metal stamping, surface treatment, and die-casting. This division has also obtained various recognized quality accreditations such as AS9100, ISO9001, ISO14001 as well as NADCAP which equipped the division with readiness and competitive advantages to meet the requirements of multinational corporations. Currently, this division serves wide range of clientele in semiconductors, electronics, aerospace, medical, and oil & gas industries.

In FY2014, the Precision Metal Components Division had invested RM8.5 million of capital expenditure in term of machinery and upgrading of facilities to keep abreast of latest technology and meet the stringent requirements of its multinational corporation customers.

Precision Tooling and Equipment Division

The Precision Tooling and Equipment Division is operating in a matured industry that mainly serving the semiconductor industry. This division delivered merely a net profit of RM0.7 million in FY2014 as a result of intense competition and shrinkage in market demand. On 30 June 2014, our 60% owned Singapore subsidiary has acquired additional 49% equity in its 50.8% owned subsidiary, namely Microhandling Asia Pte. Ltd., to increase its shareholding to 99.8%. The move will enable higher earning sharing in this profitable company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Metal Fabrication Division

The Metal Fabrication Division mainly involved in manufacturing of heavy metal works and structures, modules and parts for oil and gas production and extraction equipment. Its clientele include international oil and gas majors that mainly operating in oil and gas hub in Port Klang, Johor, Singapore, and abroad. For FY2014, this division managed to turnaround by having a net profit of RM0.3 million (excluding non-recurring gain from property disposal of RM5.8 million) compared to loss of RM2.3 million in FY2013. The improvement was due to better operations efficiency after merging of Penang operations to Johor plant. With the integration of operations, the management is optimistic that the operations of this division shall grow gradually.

Property Development Division

Currently this division is holding two parcels of development land in Tanjung Bungah, Penang and Pantai Tengah, Langkawi with land size of 1.5 acres and 6.8 acres respectively. The management is currently working at plans to develop a mixed development of luxurious condominiums and serviced apartments at Tanjung Bungah land, whereas for the Langkawi land, the proposed plan is to build serviced villas and serviced apartments.

On 28 May 2014, Kobay Land Sdn Bhd, a wholly subsidiary, entered into a joint development agreement with the land owner to develop a piece of 19.5 acres residential land at Lumut, Perak into a mixed residential development which will consist of bungalows, semi-detached houses and condominiums.

The management targets to launch at least one of the above projects by the 4th quarter of FY2015.

Outlook

Semiconductors sales have demonstrated increasing momentum since 2013. The World Semiconductor Trade Statistic (WSTS) Organization in its "WSTS Semiconductor Market Forecast Spring 2014" report released on 3 June 2014 predicts that the world semiconductor market will reach USD325 billion in 2014, up 6.5% from 2013. Solid growth for all product categories is expected to continue over the next 2 years, up 3.3% in 2015 and up 4.3% in 2016. With the modest growth in semiconductor industry, the management is cautiously optimistic that the Group's operations shall stand to benefit from it.

The Precision Metal Components Division is expected to remain profitable. This division shall remain focus and emphasize in cultivating on high value added and high complexity products and will continue its momentum of growing business in aerospace, medical and oil & gas industries by investing on new high end Computer-Numerical-Control machineries to enhance machining capabilities and provide more complex products to our new and existing customers. Factory premises have been upgraded to have a larger work place, conducive working environment and better presentation to international customers. With the hard works put in to climb up the supply chain ladder in providing more complex and value added products and continue expansion into niche market, we are confident of positive results from these efforts. To further strengthen its position in attracting clientele from medical industry, certain subsidiaries of this division are currently pursuing accreditation ISO13485.

The management will also re-examine the current manufacturing business set up and re-deploy manufacturing resources away from non-profitable production line and consolidate the non-performing one. Outlook for our China operations is not heading a positive direction and thus the management has decided to cease the operation in FY2015.

The management is cautiously optimistic of seeing steady improvement in our Metal Fabrication Division that primarily engaged in oil and gas industry. The key challenge of this division is to broaden its customer base and to build competent management team for moving up to next level of growth.

Our Property Development Division has been progressing well as per plan. The management is working hard to launch one project by the 4th quarter of FY 2015 and another two projects in FY 2016. The property market is expected to remain moderate due to the tightening measures taken by the government. Moving forward, the management shall focus in sourcing joint development project rather than acquiring land bank to avoid over-gearing in property development business.

Barring any unforeseen circumstance, despite the challenging environment, the management is cautiously optimistic that the Group shall continue to perform satisfactorily in FY2015.

STATEMENT ON CORPORATE GOVERNANCE

The Board recognizes good corporate governance is important to the success of the Group. It strives to ensure that the appropriate standard for good corporate governance being practiced throughout the Group and complied with the recommendations as set by the Malaysian Code of Corporate Governance 2012 ("MCCG 2012" or the "Code").

Principle 1 – Establish clear roles and responsibilities

As at the date of this Annual Report, there are total six (6) Directors in the Board of which three (3) out of the total are Executive Directors and two (2) out of the three (3) Non-executive Directors are independent. Independent Directors' presence are crucial when comes to formulation of strategies and major transactions where they can contribute their skill and expertise in various scope and profession to ensure the decisions made are of the best interest of the Company as well as the minority shareholders. The Board views the current composition fairly represents the interest of the shareholders.

The Board is entrusted with the role of steward and guardian of the Company. The Company's Board Charter underlines and defines the Board's responsibilities which assume but not limited to the following six specific responsibilities in discharging its responsibilities:-

1. Reviewing and adopting a strategic plan for the Company. The Board should adopt a strategic and business plan aligned to ensure obligations to the shareholders and stakeholders are met;
2. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed. The Board should therefore provide entrepreneurial leadership;
3. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks. The Board should appraise the Company's major risks and oversee that appropriate risk management and internal control procedures are in place;
4. Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management. The Board should oversee the human capital development process, monitoring and documentation against pre-determined evaluation criteria;
5. Developing and implementing an investor relations programme or shareholder communication policy for the Company; and
6. Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules and directives and guidelines. The Board should determine that procedures in place are designed to ensure the assets of the Company are safeguarded against loss from unauthorized use/disposition and no unauthorized information is released. All transactions of the Company are properly authorized and recorded as necessary to enable the preparation of true and fair financial statements and their related disclosures as required.

The Board Charter sets out the role and responsibilities of individual Board members and Committee members. It ensures that all Board members acting on behalf of the Company are aware of their duties and responsibilities under various legislation and regulations affecting their code of conduct and the best practices in discharging their fiduciary and leadership functions in compliance to the good corporate governance applied in all their dealings in respect for and on behalf of the Company.

In discharging the Board's fiduciary duties, the Board has delegated its power respectively to each Board Committees. The Terms of Reference of each Committee has been approved by the Board and included in its Board Charter. It covers the function of each Committee namely Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and Executive Committee and the respective operation procedures governed thereof. It includes the Company Secretary's roles as well as the Internal Control Policy of the Company.

Under the Board Charter, the Board has also adopted the flow of performance assessment of each individual Board member and Committees. The Board reviews these Committees performance from time to time and will revise, if necessary, their authorities granted.

The Board has made available the Board Charter at the Company's website www.kobaytech.com.

During the financial year ended 30 June 2014, the Board has had four (4) Board Meetings where they reviewed and discussed the Group's operations, periodic financial statements, strategic plans and risk management matters inclusive but not limited to the reports from Board Committees on various scope of coverage of each Board Committee to ensure obligations to shareholders and stakeholders are met.

No individual or group of individuals dominates the Board's decision making. Each Director contributes his skill, experience and expertise accordingly on each agenda/issue raised and considered during the meeting. Documents and information in relations to any corporate or business issue to be discussed in the meeting are furnished to the Board members prior to the meeting. The Board members review updates and/or reports inclusive Board attendance, resolutions passed quarterly, Directors' dealing in securities, financial information, internal control report, external auditor feedback and corporate developments.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 1 – Establish clear roles and responsibilities (Cont'd)

Records of the deliberation, issues discussed and conclusion were recorded by the Company Secretaries who attended all the meetings. The minutes will then be circulated to all Directors for their confirmation before it was signed off by the Chairman of the meeting and kept at the Company's registered office.

The Group's Vision and Mission has been reviewed and revised in line with the diversification of the Group's business direction into property development. The Board is fully aware that the revision and the diversification are to attain the Group's sustainability and growth. We strive to balance the public trust via the products or services we offer and the interest of various stakeholders e.g. our valuable customers and employees, creating the economic value of the nation. Hence, the Directors are expected to conduct themselves with the highest ethical standards. The Group believes that our employees guided with a common set of values and beliefs - A.C.T.I.O.N.S. are our ultimate sustainable source of our competitive advantage. All Directors and employees are expected to uphold the Kobay Standard of Business Conduct Code, of which was established in year 2007, and make A.C.T.I.O.N.S. a way of our corporate culture and responsibilities.

In achieving the committed standards of business conduct, the Group has underlied and embedded whistleblowing policy into its Human Resource Policies where employee can raise any concern about any improper conduct within the Group to the proper channel ranking from Head of Human Resource Department in the subsidiary company and ultimately to the Executive Committee, the Board of Directors' Committee of Kobay for all business/operation related matters. For all corporate related matters, employee or any member of the public may contact the Company Secretary via email to cosec@kobaytech.com or via post mail to the Senior Independent Non-executive Director, Mr. Khaw Eng Peng who is also the Audit and Risk Management Committee Chairman. Should there be a need to contact in person, the employee or member of the public may call the Company Secretary, Ms. Chan Mun Shee, at 04-6411888 ext 111 or Ms. Wong Mee Choon at 04-2280020.

Each and every Director is able to access directly to the senior management and/or to the advice and services of the Company Secretaries who are responsible for ensuring all governance matters and Board procedures are followed as well as in compliance with applicable laws and regulations. The in-house and external Company Secretaries will carry the secretarial function to ensure there is check and balance between the operational decision and compliance to the applicable laws and regulations. Beside overseeing the corporate secretarial functions of the Group, the in-house Company Secretary will also facilitate the communication of key decision, policies revision, strategic planning process within the Group and highlight to the Board's Executive Committee during weekly meetings and/or the Board during the quarterly meetings. The Company Secretaries also need to ensure all compliance and governance issues which ought to be brought to the Board for their attentions and disseminate related decisions made by the Board to senior management, if necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. Directors may also seek external independent professionals' advices for more information to be well informed prior to any decision made by them at the Company's expense, on a case to case basis, if necessary.

Principle 2 – Strengthen composition

Our Nominating Committee comprises of two (2) Independent Non-executive Directors and one (1) Non-independent Non-executive Director. Detail of the composition is set out on page 2 of this Annual Report.

This Committee has been established since September 2001 and its responsibilities are to recommend to the Board of any new Director, Non-executive or Executive, appointment and assessment of the effectiveness of each Director or the Board as a whole on an on-going basis. Notices will be sent to those Directors whom are due for retirement by the Company Secretary and compiling replies from the Directors in the month of August yearly. Upon receipt of consent by the Company from the said Directors who offer themselves for re-election, the Nominating Committee will evaluate their performance individually and a team as a whole if the said Director was also a member of the Board Committee. Then only the Nominating Committee will recommend to the Board those Directors retired and eligible for re-election during the forthcoming Annual General Meeting ("AGM").

The Nominating Committee met once during the financial year ended 30 June 2014. The Committee had on 21 November 2013 conducted its meeting for re-electing/re-appointing those Directors whom retired for approval of the shareholders in AGM set on 18 December 2013. For re-electing/re-appointing those Directors whom retired for approval of the shareholders in the forthcoming AGM set on 18 December 2014, it has conducted its meeting on 21 August 2014 deliberated on the matters. The assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

In line with MCCG 2012, the terms of reference of the Nominating Committee will have to include review of board's succession plans and training programmes for the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Appointment and Re-election of Directors

Pursuant to the Company's Articles of Association, one-third (1/3) of the Directors including Managing Director for the time being, shall retire from office by rotation at each AGM. Provided always that all Directors shall retire from office once at least in each three (3) years and if eligible, they can offer themselves for re-election. Directors newly appointed to the Board, either to fill a casual vacancy or as an addition to the existing Directors are subject to re-election by the shareholders at the next AGM to be held subsequent to their appointments.

Directors aged above seventy (70) years old are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

The Nominating Committee has evaluated the following Directors of which their profiles are set out on page 7 - 8 of this Annual Report.

Name of Director	Retirement and Re-appointment / Re-election	Articles of Association / Companies Act 1965 / MCGG 2012
Dr. Mohammad Zabdi Bin Zamrod	Independent Non-executive Chairman	Section 129(6) and MCGG 2012
Mr. Koay Cheng Lye	Chief Administrative Officer	Article 95
Mr. Lim Swee Chuan	Chief Financial Officer	Article 95

Kobay has since 1999 incorporated in its Human Resource Policies of non-discrimination in selection and recruitment process either of age, gender, race or religion throughout the organization. The Group believes that it is utmost importance that either the Board members or its employees shall compose of best-qualified and competence individuals who possess the requisite knowledge, skill, experience in discharging its duties effectively in the best interest of the Company and the shareholders. Under MCGG 2012, the Board disclosed herein its gender diversity amongst the management position and Directors of the Board for the financial year ended 30 June 2014.

Category	Total Headcount	Headcount		%	
		Male	Female	Male	Female
Manager & above	52	44	8	84.62	15.38
Board of Directors*	7	7	0	100.00	0.00

* includes Mr. Tan Yok Cheng who has resigned prior to issuance of this Report.

In so far as gender diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of suitability of candidates is solely based on candidates' competency, character, commitment, integrity and experience in meeting the needs of the Company.

Remuneration Committee

The Remuneration Committee that comprising two (2) Independent Non-executive Directors and one (1) Executive Director was set up in year 2001 and its detailed composition is set on page 2 of this Annual Report. It determines, reviews and recommends salary, benefits, general remuneration policy and practices of the Company's Executive Directors. The Remuneration Committee met once during the financial year.

The Remuneration Committee is guided by the Group Human Resource Policy and Procedures to reward the individual Executive Directors via their performance tracked half yearly with the Key Performance Indicator set with the aim to "attract and retain" committed and performed Executive Directors to drive the Company or the Group in achieving its Vision and Mission.

The Group has revised the Group Human Resource Policy and Procedures including the remuneration package in January 2014, aiming to retain the talent within the Group inclusive the Directors. The Group believes the remuneration package should be aligned with business strategy and long term objective of the Group beside matching with the seniority, responsibilities and expertise of an individual during the recruitment and/or periodically performance evaluation.

Remuneration of Non-executive Directors is determined by the Board as a whole and Non-executive Directors shall abstain in the discussion of their own remuneration. The compensation of Non-executive Directors proposed by the Remuneration Committee which link to their experience and level of responsibility taken shall be tabled for the Board's approval as a whole.

The Committee had proposed Directors' fee payable for the financial year ended 30 June 2014 on 21 August 2014 for the forthcoming AGM to be held on 18 December 2014.

Details of the Directors' remuneration are listed herein.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Directors' Remuneration

The Company pays its Executive Directors salaries, bonuses and other emoluments and for Non-Executive Directors, Directors' fees that are approved at the AGM.

A summary of the Directors' remuneration is reflected as follows:-

1. Directors' Fees

Directors' fees are payable only to Non-executive Directors. For the year under review, the Board proposed a fee of RM5,000 for each Non-executive Director. Director who has not served the full financial year, the payable Director fee will be apportioned accordingly. Breakdown of Directors' fees payable to each and every Non-executive Director for the financial year ended 30 June 2014 is as follows:-

Non-executive Director	Proposed Directors' Fees (RM)
Mr. Koay Ah Bah @ Koay Cheng Hock	5,000
Dr. Mohamad Zabdi Bin Zamrod	5,000
Mr. Tan Yok Cheng	5,000
Mr. Khaw Eng Peng	5,000
Total Payable	20,000

2. Non-executive Directors' Other Benefit

Non-executive Directors are paid a perquisite for their every attendance of quarterly meeting and during the financial year ended 30 June 2014, a total of RM8,050 meeting expenses have been paid to Non-executive Directors.

3. Directors' Remuneration

A summary of the Directors' remuneration of the Company, both for Executive and Non-executive Directors, categorised into appropriate components and into each successive band of RM50,000 is disclosed below:-

	Executive Directors (RM)	Non-executive Directors (RM)
Fees	–	20,000
Other benefits	–	8,050
Salary and other emoluments	814,255	36,000
Bonus	97,426	1,500
Allowance & Statutory Contributions	95,610	5,231

<i>Per annum</i>	Executive Directors	Non-executive Directors
0 to RM 50,000	–	4
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	–
RM150,001 to RM200,000	–	–
RM200,001 to RM250,000	–	–
RM250,001 to RM300,000	1	–
RM300,001 to RM350,000	1	–
RM350,001 to RM400,000	–	–
RM400,001 to RM450,000	1	–

There is no share options scheme within the Group.

Principle 3 – Reinforce independence

The Board has assigned to the Nominating Committee to assess its Independent Directors annually so to ensure that the Independent Directors bring objective judgment and mitigate risks arising from conflict of interest or undue influence from interested parties as set out in the Listing Requirements and Practice Notes of Bursa Securities. However, individual Director is required to declare his/her independency prior to his/her appointment/re-appointment as Independent Director of the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 3 – Reinforce independence (Cont'd)

The Board noted on the Recommendation 3.2 of MCCG 2012 in relates to the tenure of Independent Director should not exceed cumulative term of 9 years and the Board is mindful of Dr. Mohamad Zabdi Bin Zamrod who has served exceed the 9 years term as Independent Director. However, the Board is of view that the integrity and the competency of an Independent Director is vital in discharging his duties compared to the tenure of service. Moreover, the Independent Directors are all Non-executive Director of the Company whereby they can provide an independent view of decision made with their diversified experience in their own expertise and their in-depth knowledge of the business of the Company/Group in view of their long service with the Company. The Independent Directors are all well aware of Bursa Securities Listing Requirements on their independence when discharging their fiduciary duties of which may impact their reputation and cause them legal implication for being non-independent. All Independent Non-executive Directors are not a substantial shareholder of the Company nor associated with the substantial shareholders.

Dr. Mohamad Zabdi Bin Zamrod, who has served more than 9 years, has provided his declaration of independency based on the Listing Requirements and the Nominating Committee has assessed and concluded that he would be able to demonstrate and exercise independent judgment and act in the best interest of the Company. He has undertaken to notify the Board should his independence is affected due to change or development of interest or relationship during the period from his re-appointment to the next AGM. The Board will propose for the shareholders' approval in the forthcoming AGM to seek the shareholders' approval on his re-appointment as Independent Director. Should his re-appointment being approved by the shareholders, there are in total two (2) Independent Non-executive Directors out of six (6) Directors on the Board.

The roles of the Chairman and the Chief Executive Officer are segregated to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring the effectiveness of the Board policies and conduct whilst the Chief Executive Officer is responsible for the day-to-day running of operations, organizational effectiveness, overseeing as well as coordinating the development and implementation of Board policies, corporate strategies and decisions.

With Dr. Mohamad Zabdi Bin Zamrod re-appointment and retained as Independent Non-executive Director, the recommendation 3.5 of MCCG 2012 is herewith complied by the Company.

Principle 4 – Foster commitment

The Directors shall devote their time in carrying out their responsibilities and shall regularly update themselves with required skills and knowledge in discharging their fiduciary duties. They shall also notify the Board before new directorship appointment and such notification shall also indicate the time committed for the new appointment in accordance with recommendation 4.1 of the MCCG 2012.

The Board as a whole acknowledges the importance of training and encourages the Directors to attend training programme in order to keep abreast of the latest development, advances in corporate governance and to further enhance their skills and knowledge where relevant so to enable them to contribute to the Company. All Directors have undergone the Mandatory Accreditation Programme and complied with the Listing Requirements.

The Nominating Committee has formalized an orientation programme for all newly appointed Directors, of which included the introduction of Company's background and the strategic plans and directions of the Company as well as the Group.

The Nominating Committee will continuously evaluate the training needs of the Directors and determine relevant training particularly in new laws and regulations, essential practices to enhance corporate governance and risk management so to enable the Directors participate in deliberations and effectively discharge their duties.

The Company Secretary had on the following dates updated the Board members with the new/amended Listing Requirements or relevant laws and regulations via Board of Directors Meetings held.

Date	Topic of the Briefing by Company Secretary
20 February 2014	Data Protection Act 2010
20 February 2014	Update of Listing Requirements – Time Frame of Issuance of Annual Report

The Company has also provided in-house training programmes conducted by the Company's consultant for key personnel inclusive Directors and the topic conducted for the financial year ended 30 June 2014 is listed below:-

Date	Topic conducted by External Consultant
20 July 2013	Mid-term review of Kobay Vision, Mission and Values

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 4 – Foster commitment (Cont'd)

The followings are additional courses and training programmes attended by the Directors for the financial year ended 30 June 2014.

Directors	Training Programmes Attended	Date
Lim Swee Chuan	Tax Planning and Issues for Property Developers and Property Investors	21 August 2013
	2014 Tax and Budget Outlook	1 November 2013
	Goods and Services Tax and Business Preparation	24 March 2014
Khaw Eng Peng	KPMG Tax Summit 2013	7 November 2013
	(1) Corporate Governance Guide (2nd Edition); (2) Roles and Responsibilities as a Director of a Public Listed Company; and (3) Key Provisions under the Proposed Companies Bill.	9 May 2014
	Understanding and Scrutinising the Financial Statements	9 May 2014
	GST Seminar	10 May 2014

Principle 5 – Uphold integrity in financial reporting

The Board has established an Audit Committee in September 2001 and later re-designated as Audit and Risk Management Committee ("ARMC"). The ARMC comprises of three members whom are Non-executive Directors and financially literate with one of them is a member of an accounting association or body. The ARMC's composition, terms of reference and the report are set out in page 28 - 29 of this Annual Report.

The ARMC, on behalf of the Board, focuses particularly of the followings during its review of the quarterly results (within 2 months after each quarter end) and annual financial statements (within 4 months after the financial year end) prior to recommendation made to the Board for approval:-

- (i) Changes in or implementation of major accounting policies;
- (ii) Significant adjustments arising from the audit;
- (iii) The going concern assumption;
- (iv) Significant and unusual events; and
- (v) Compliance with accounting standards and other legal requirements.

The Company has established transparent and appropriate relationship with both its internal and external auditors. External auditors have been invited to all ARMC Meetings held by the Company. Separate dialogue sessions have been held by ARMC with the internal and external auditors without the presence of the Executive Directors at quarterly meeting held on 22 August 2013 and 22 May 2014 during the financial year ended 30 June 2014.

The ARMC reviews with the external auditors, their audit plan, evaluation of system of internal control and audit report. ARMC are able to obtain their professional advice and will bring to the Board's attention should the matter required Board's approval.

The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year which shall comply with applicable financial reporting standards and give a true and fair view of the state of affairs and financial position of the Company at the end of each financial year. A Statement of Directors' Responsibilities in preparing the financial statement is set out on page 30 of this Annual Report.

The ARMC will assess suitability and independence of external auditors once in a year and the external auditors shall assure the ARMC in written form that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The external auditors has, during the 22 May 2014 ARMC meeting, confirmed their independence for the audit engagement provided for the financial year ended 30 June 2014. Save for the audit services provided during the financial year ended 30 June 2014, there was no non-audit services provided by the external auditors. Any non-audit services provided by the external auditors shall be first reviewed by the ARMC before tabled for the Board's approval prior to engagement.

For the financial year ending 30 June 2015, the external auditors has indicated their intention to continue their service and the ARMC has reviewed and recommended their re-appointment to be included into agenda for shareholders' approval in the forthcoming AGM.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 6 – Recognize and manage risks

The Board is primarily responsible for the Group's sound risk management framework and internal control system. The Group's risk management framework determines the risk tolerance level and monitoring of the Group's business risk was assigned to the respective Board Committees. The main features of the risk management framework are reported in the Statement on Risk Management and Internal Control on page 25 - 27 of this Annual Report.

The Board has established an Executive Committee ("EXCO") which comprises of three (3) Executive Directors to manage the day-to-day operations of the Group. The primary function of the Committee is stated under the Board Charter and accessible in Kobay website.

Internal Control

The purpose of internal control is to manage and control risk. The Board of Directors is aware and responsible in ensuring that the Company maintains an effective internal control system. The Company maintains written documentation of the Company's values, expected code of conduct, policies and procedures with clearly defines authorities and responsibilities for the Board, its Committees, each manager, employee and department.

The management is accountable to the Board in monitoring the Company's internal control system and provides reasonable assurance regarding the reliability of the financial information used within the business, as well as safeguarding the assets against unauthorized use or disposition and problems are identified on a timely basis with suggested solutions.

The Company has also implemented its customized Enterprise Resource Management System which enables the management to monitor and manage each individual subsidiary company's key performance indicators to ensure their operations are operating to the management expectation.

The Board or its Committee reviews individual subsidiary's internal control activities during the monthly and quarterly meetings as an on-going monitoring process.

The Statement on Risk Management and Internal Control is set out on page 25 - 27 of this Annual Report.

Internal Audit

As regards to the internal audit function, the Board view it as an integral part of an effective system of corporate governance. The Board has established an in house Internal Audit Department to periodically review on the adequacy, effectiveness and integrity of the Group's internal control system, risk management and governance processes. Weaknesses in internal control procedures are highlighted and recommendations made for improvement. The internal audit function covers investigation of any complaints on mismanagement of Company's properties and assets and any instances of fraud or malpractice. The Internal Audit Department reports directly to the ARMC, to ensure the independence of the internal audit function.

Summary of the activities of the Internal Audit Department is set out in the Audit and Risk Management Committee Report on pages 29 of this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board observes the Corporate Disclosure Guide issued by Bursa Securities and adhere strictly to the disclosure requirements under the Listing Requirements.

All quarterly and other important announcement shall first be reviewed and approved by the Board before disseminate to the public via Bursa Link on a timely basis within the mandatory period as guided by Listing Requirements. The Group also maintains a corporate website www.kobaytech.com where all information released to the public be accessible via the corporate website. The Board aware that no information shall be disseminated in any forms and means prior to the announcement first made to Bursa Link.

There shall be no information disseminated to the media or any parties unless it is, either first approved by the Chief Executive Officer or the Board, depends on the authority level required for approval and it shall be only released by the Chief Executive Officer.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 8 – Strengthen relationship between company and shareholders

The Board views communication as one of the value in the Company's/Group's culture. Communication is not only confined with stakeholders under its day-to-day operations, it is also a powerful foundation to have continuous communication with the shareholders for the Company's success.

The Board took opportunity at every General Meeting to meet and interact with shareholders in person beside the written communication. The Company has always served adequate requisite notice period for meetings as prescribed in the Listing Requirements.

The shareholders possessed rights to request for poll voting pursuant to the Company's Articles of Association and the Chairman will notify the shareholders or members of the meeting prior to the commencement of the meeting.

The Board took note of the recommendation for electronic voting and electronic means of poll voting under the MCCG 2012 and will explore the possibility in the near future.

The Company disseminates information on all its announcements through Bursa Securities' website(www.bursamalaysia.com). Shareholders and stakeholders can also access through the Company's website (www.kobaytech.com) globally to obtain information in relates to Group's strategy, performance and major development besides communicating through e-mail. The Company will review and update related information quarterly for information of the shareholders and public at large.

Shareholders may direct or post to Mr. Khaw Eng Peng, the Senior Independent Non-executive Director for any queries or concerns regarding the Company at the registered office of the Company at Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang. At all times, shareholders may contact the Company Secretary, Ms. Chan Mun Shee or Ms Wong Mee Choon via office contact number or email to cosec@kobaytech.com for information.

The Board has reviewed this Statement on Corporate Government and has approved it on 21 October 2014.

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SUSTAINABILITY REPORT

It is the Company's responsibility as corporate citizen, strives to satisfy beside the shareholders, stakeholders such as customers, vendors, employees and community at large via its effort to realize its social responsibility on top of achieving its business excellence in attaining sustainable growth.

Workplace

Competent and committed employees are key stakeholders of the Company in achieving sustainability and they are the greatest assets to the Company.

In the daily running of Company operations, the employees will observe our corporate culture A.C.T.I.O.N.S.. They are required to abide all rules and regulations inclusive but not limited to Corporate HR policies, 5S, OSHA (Occupational Safety and Health Act) etc. which promotes a safer working environment. They are also rewarded for persistently uphold the compliance and sustaining its standards with the Group's Yearly Best 5S Award after audited and concluded by higher management amongst all the subsidiaries within the Group.

With our employees' commitment in attaining the vision of the Company and full participation in the Company's sustainability, the Company recognized employees' contribution and rewards them accordingly via incentive for performance either in team or individually. In addition to that, the Company did reward employees on their length of services within the Group via service awards per our Human Resources Policy and Procedures. The individual subsidiary company will not only reward the employees' hard work via various incentive schemes but also will periodically held celebration when they have achieve certain targets. These are to motivate and encourage employees to sustain in their achievement and move forward in attaining the Group's Vision.

Beside the Company's continuous effort in recruiting new talent to enhance the Group's human capital resources, the Company also continuously training and re-training the existing employees whenever need arise so to equip them with soft and hard skill in order to compete in the ever challenging market place.

The Group will periodically review and revise its human resources policies and rewards system to attract and retain employees and foster greater productivity. There are incentive schemes to reward employees whom has contributed to the Company/ Group in cost savings e.g. reduced energy use with replacing energy saving light bulb, lower raw material wastage etc. which is win-win to both the Company and the employees in achieving sustainability.

Marketplace

Kobay always viewed our customers as our long-term business partners. It is only with our customers' continuous support, we learn, grow and be profitable. Kobay Group does maintain a Standard Operations Procedures where the processes of production be guided and also its Quality Policies adopted to ensure the quality of the products and services be maintained. The individual company meets suppliers periodically to understand and rectify any challenges or deviation from the Standard Operations Procedures or its Quality Policies so to achieve manufacturing and business excellence. The meeting will cover areas like how to improve cost saving and more sustainable supply-chain e.g. reduction of operations disruption and also to draw feedback from the suppliers for new processes, products or materials that can enhance the delivery lead time and the quality of the products while driving innovation. Kobay believes that in cultivating a better collaboration between the suppliers, it will best position the Group in differentiating us in the market place and to tap the opportunities available thereof.

The Group will set its strategic plan yearly and will review it quarterly with Kobay Executive Committee, beside the routine monthly management meetings. The individual company will review its Departmental Key Performance Indicators weekly right from marketing to production, logistic to ensure the delivery lead time for any job enquiry or order be sustained and improved. With the quality service and continuous support where the customer grow, we will follow. Each individual subsidiary company within the Group will also continuously look into upgrading their operations capability to best support the customers like high end machineries, lesser reject tolerance and more green processes. One of the subsidiaries within the Group has been accredited with Golden Eagle Award 2014 and Enterprise 50 Award 2014.

SUSTAINABILITY REPORT (CONT'D)

Community

For the financial year under review, the Company has continuously educated its employees via quarterly meetings held offsite in addition to the in-house trainings carried out by the individual subsidiary company within the Group. The Company is also setting as example in taking up donation to fund the less fortunate and underprivileged e.g. donation in kind to old folks home, donation in supporting educational industries to cultivate and nurture the next generations.

As a good corporate citizen, Kobay will continue to support the underprivileged community whether financially or in kind and our employees are also encourage to participate in any events of which able to contribute back to the society.

Environment

In the daily operations, Kobay Group of Companies continuously manage the impact of its operations towards minimizing environmental accidents through our own enforcement and also consistently looking for ways to reduce the energy and water consumptions.

The Group encouraged to re-use and re-cycle packaging for its products and also periodically disposing the unused items or papers to re-cycle company while performing their 5S activities. With the monies raised from the re-cycle items disposed, the Group will donate such amount to the society.

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STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") affirms its responsibilities on establishing a sound risk management framework and internal controls system and in reviewing its adequacy and integrity to safeguard shareholders' investments and company's assets. The Board is fully aware that the risk management and internal controls system cannot totally eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The preparation of this Statement is guided by "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Malaysia Securities Berhad.

Risk Management

The Board is committed to manage risk in accordance with the principles and recommendations of Malaysian Code on Corporate Governance 2012. Risks are to be effectively managed to ensure business continuity and success in the achievement of Kobay Group's objectives. To meet the commitment, risk management practices are an integral part of the Group's strategic planning and management processes and have been embedded into the Group's system of internal control, culture, processes and structures. The Group has a formal Kobay Risk Management Framework which was adopted in 2013.

Risk management is an on-going process of identifying, assessing and managing key business risks. It also involves assessment of the impact, likelihood and determination of tolerance level of such risks. The risk management processes cover all strategic business units of the Group that have active business activities. The Board is committed to articulate, implement and review the Group's risk management and practices and periodically tests their effectiveness to ensure that they are relevant, responsive to changes and well communicated to all levels.

The Framework applies to all strategic business units within the Kobay Group but excludes associated company or joint venture entity. There is no associated company or joint venture entity in the Group for the financial year under review.

The key components of the risk management accountability framework are as follow:-

Board of Directors ("Board")

It is the Board's role to establish a sound framework to manage risk. The Board determines the Group's level of risk tolerance and identify, assess and monitor key business risks to safeguard shareholders' investment and the Group's assets. The risk appetite by tolerance level of loss has been formally set and stated in the Kobay Risk Management Framework for application in risk assessment and management.

For effective implementation and management, the Board delegates its review process role to Audit and Risk Management Committee ("ARMC"). However, the Board as a whole remains responsible for all the actions of ARMC with regard to the execution role. The Board via ARMC, solicits formal feedback on the adequacy of risk management and internal control from the Head of Internal Audit function annually.

The Board is committed to articulate, implement and review the Group's risk management and internal control system and periodically examine the effectiveness and efficiency of the internal control procedures to ensure that they are viable and robust.

Audit and Risk Management Committee ("ARMC")

The Audit Committee has been designated as Audit and Risk Management Committee in 2013, to be more reflective of its functional role in both internal audit and risk management activities. The ARMC is entrusted by the Board, to oversee the establishment and implementation of an adequate system of risk management across the Group. The ARMC assists the Board in fulfilling its risk management and oversight role by independently assessing risk management practices. The ARMC reports to the Board of its review on the adequacy of risk management activities and measures taken to minimise any risk identified, on quarterly basis.

Management

Executive Committee ("EXCO") that consists of Executive Directors of the Board spearheads the implementation of Group Risk Management Framework. The EXCO acts as the Management Committee on risk management and reports the risk management activities and matters that deemed high risk or critical to the ARMC on quarterly basis.

In practice, the Chief Operating Officer and Head of Strategic Business Group and Functional Units ("SBG Head") are responsible for risk management within the respective strategic business and functional units. The responsibility includes designing and implementing a sound system of risk management that identifies, assesses, monitors and manages major risks that impact the achievement of business objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Management (Cont'd)

To promote accountability, Head of Strategic Business Unit ("SBU Head") shall take charge of the compliance and monitoring at the business units. The line managers at all levels are responsible for the adoption and implementation of risk management practices and the results of risk management activities, relevant to their areas of responsibility.

As part of the risk management activities, the Group has carried out the yearly business assessment, strategic planning and adopted Strategic Plan for Financial Year 2015 to address on the strategic, business and operational risks, and laid down the business directions, strategies and action plans. As for the assessment on compliance and financial risks, it has been carried out by SBU Heads and Group Accountants via Risk Assessment Forms.

On quarterly basis, during the Quarterly Operations Review Meeting, SBG Heads report to the EXCO on risk issues, current business situation that has a bearing on risk management and any risk matters that have impacted or likely to impact the business units in the achievement of objective and strategies, and the remedy actions to address the significant weaknesses and threats identified. The progress of the risk management activities that have been carried out in the business units are reported by SBU Heads to the EXCO and SBG Heads during the Quarterly Operations Review Meeting.

The Chief Executive Officer and Chief Financial Officer have provided a written assurance to the Board in October 2014 Board Meeting stating that the Group's risk management and internal controls system are operating adequately and effectively for the current financial year under review and up to the date of approval of this Statement for inclusion in Annual Report.

Internal/External Audit

Internal Audit is responsible for independently evaluating the effectiveness and efficiency of risk management and the compliance practices are implemented in the Group with at least one annual review. The outcome of the review is reported to the ARMC. Internal Audit will also support the Group's risk management by providing advice in monitoring the effectiveness of the Group and Strategic Business Units' risk analysis and monitoring program. The Internal Audit Department has carried out the annual review on Group's risk management activities and reported in August 2014 ARMC meeting.

The External Auditors are to review the Statement with regards to the state of internal control and risk management of the Group and report the results thereof to the Board on annually basis. For the financial year under review, the External Auditors have reviewed this Statement and reported to the Boards that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the processes adopted by the Board in risk management framework and internal controls system.

Internal Controls System

On the Group's system of internal controls, the key elements are described below:-

- Formal Group Organisation Structure defines clearly the framework on line of reporting and hierarchy of authority and the Group's core activities are managed by segregation into different strategic business groups.
- Group Policies and Procedures Manuals on Financial, Human Resource and Sales and Operations are adopted and laid down the objectives, scopes, policies and operating procedures to be complied by business units.
- Clearly defined authorisation limits at appropriate management levels are set out in a Financial Authority Matrix for controlling and approving capital and revenue expenditure.
- Budgetary control system is in place to establish the responsibilities and accountabilities of each business unit in term of resources employed, control over costs and expenses and for measuring the business unit's overall financial performance. The budgets are approved by the EXCO.
- Individual companies with active business operations hold monthly management meeting to review the financial performance, business overview, direction and development with senior management staff at corporate level.
- Executive Directors hold weekly EXCO meeting to discuss and resolve any major issues arising from business operations and plan for corrective actions.
- Internal Audit Department is established to report directly to ARMC and is assigned with tasks to assist the Committee in discharging its duties and responsibilities.
- Regular internal audit visits to business units are carried out by Internal Audit Department to ensure compliance of Group Policies and Procedures and to review effectiveness of the existing internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

Internal Controls System (Cont'd)

- Internal control issues noted are tabled for discussion and resolution in business unit's monthly management meeting and presented in operational review meeting at EXCO level. Improvements in existing policies and procedures or implementation of new policies and procedures are carried out when needed to keep in pace with the evolving business environment.
- ARMC and Board of Directors hold quarterly meeting to discuss on internal audit reports, periodic financial statements and issues that warrant the Committee's and Board's attentions.

For the year under review, the Board confirms that there is an on-going process of identifying, evaluating and managing significant risks faced by the Group and reviewing its internal control system to safeguard shareholders' investment and Group's assets. The Group's system of internal control is in place and functioning, continuous efforts are being taken to strengthen and improve the Group's internal control environment.

The Board is satisfied with the adequacy, integrity and effectiveness of the Group's risk management framework and its internal controls system. There were no material internal control system failures nor have any of the reported weaknesses resulted in material losses or contingencies that would require mention in the Annual Report for the financial year under review.

This Statement has been approved by the Board of Directors in the meeting held on 21 October 2014.

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AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”) REPORT

COMPOSITION AND DESIGNATION

Members of the Committee

1. **Tan Yok Cheng** DJN, PJK, PJM
*Senior Independent and Non-executive Director, Chairman of ARMC
(resigned as Chairman of ARMC on 13 October 2014)*
2. **Dr. Mohamad Zabdi Bin Zamrod**
Independent and Non-executive Director, Chairman of the Board
3. **Khaw Eng Peng**
*Independent and Non-executive Director
(redesignated as Chairman of ARMC on 13 October 2014)*
4. **Mr. Koay Ah Bah @ Koay Cheng Hock**
*Non-independent and Non-executive Director
(appointed as member of ARMC on 13 October 2014)*

Secretaries to the Committee

1. **Chan Mun Shee** (MAICSA 7003071)
2. **Wong Mee Choon** (MACS 01562)

TERMS OF REFERENCE

A summary of the Term of Reference of the Committee is as follows:-

- To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors.
- To review with the external auditors, their audit plan and scope, evaluation of the system of internal controls and audit report.
- To review the external auditors' management letter and management's response on findings arising from the audit.
- To consider and recommend the appointment of the external auditors, the audit fee and any question of resignation or dismissal.
- To review the adequacy of scope, functions, competency and resources of internal audit functions.
- To review the internal audit plan, audit programme and the results and whether or not appropriate action is taken on the audit recommendation.
- To approve the appointment or resignation/ termination of staff members of internal audit function and the performance appraisal.
- To convene meeting in the absence of other Directors and management of the Company with external auditors and internal auditors and discuss problems and reservations arising from the audits and any matter they wish to discuss.
- To oversight the establishment and implementation of risk management practices across the Group.
- To review the adequacy of risk management activities and its reporting are in accordance with Group Risk Management Framework.
- To review any related party transaction and conflict of interest situation that may arise within the Company or the Group.
- To investigate any matter within its terms of reference.

The Committee is authorised by the Board to have the resources which are required to perform its duties, full and unrestricted access to any information pertaining to the Company and be able to obtain independent professional or other advice.

The detailed Term of Reference is published and can be accessed from the Kobay website (www.kobaytech.com) under caption of Corporate - Board Charter for reference.

AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC") REPORT

(CONT'D)

MEETINGS

The Committee met four times in the financial year ended 30 June 2014. The meetings were structured through the use of appropriate agenda and reports, which were distributed to members with sufficient notification and minutes recorded on its conclusions in discharging its duties and responsibilities. Details of attendance were as follows:-

Name of Committee Members	Attendance
Tan Yok Cheng	4/4
Dr. Mohamad Zabdi Bin Zamrod	3/4
Khaw Eng Peng	4/4

The Committee held dialogue sessions with the external auditors together with internal auditors on 22 August 2013 and 22 May 2014 and there was no specific issue noted that required further discussion.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the financial year, the Committee has reviewed:-

1. the external audit plan with the external auditors.
2. the quarterly unaudited results and the annual audited financial statements before submission to Board for their consideration and approval for the purpose of announcement to Bursa Malaysia Securities Berhad.
3. the audit review memorandum of external auditors and management response.
4. the Internal Control Statement and Audit And Risk Management Committee Report for disclosure in the Annual Report.
5. the semi-annual returns before submission to the Board for approval for the purpose of submission to Bursa Malaysia Securities Berhad.
6. the related party transactions and recurrent related party transactions transacted within the Group.
7. the re-appointment of Messrs. Crowe Horwath as external auditors of the Company.
8. the internal audit plan and the internal audit activities.
9. the internal audit report on risk management carried out in the Group.

The details of training attended by members of the Committee are disclosed in page 19 to 20 of this Annual Report.

SUMMARY OF ACTIVITIES OF INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Department, which reports directly to the Committee and assists the Committee in discharging its functions and duties. The internal audit function is independent of operational activities and has its own service charter to ensure the internal audit activities are performed with impartiality, proficiency and due professional care. The costs incurred for internal audit function in respect of financial year ended 30 June 2014 amounted to RM111,906.

During the financial year, the Internal Audit Department has carried out the followings:-

- a) reviewed the internal control system of the Group on its compliance and effectiveness taking into consideration factors that have arisen from evolving business environment.
- b) conducted compliance, operational and financial audits covering Group Policies and Procedures and key internal control areas.
- c) presented audit findings and corrective actions to be taken in business unit's management meeting, operations review meeting at corporate level and in the quarterly ARMC meeting.
- d) conducted follow-up audits to ensure corrective actions on audit reports were implemented.
- e) reviewed related party transactions in relation to the Bursa Malaysia Securities Berhad's Listing Requirements and reported to the Committee.
- f) reviewed the risk management carried out in the Group and reported to the Committee.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Board of Directors is required under the Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibilities for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements for the financial year under review, the Directors have:-

- selected suitable accounting policies and then apply them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that the applicable accounting standards have been followed; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and have taking such steps that are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Board of Directors has reviewed the content/disclosure of this Annual Report inclusive of the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit and Risk Management Committee Report, and approved this Annual Report for dissemination to all shareholders.

This Statement has been approved by the Board of Directors in the meeting held on 21 October 2014.

OTHER INFORMATION

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposals during the financial year.

SHARE BUY-BACKS

The Board has obtained a mandate from the shareholders of the Company through its Annual General Meeting held on 18 December 2013 to purchase and/or hold its own shares up to a maximum of ten per cent (10%) of the issued and paid-up share capital of the Company.

During the financial year under review, the Company did not purchase any of its own shares and none of the 728,200 treasury shares currently held by the Company in accordance with Section 67A of the Companies Act, 1965 were resold or cancelled by the Company.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISE

The Company has not issued any option, warrants or convertible securities during the financial year under review.

AMERICAN DEPOSITORY RECEIPT ("ADR")/GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

NON-AUDIT FEES

There were no non-audit fees paid to the Group's external auditors for the financial year under review.

VARIATION IN RESULTS

There is no significant variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year under review.

PROFIT GUARANTEE

During the financial year under review, there was no profit guarantee given by the Company.

REVALUATION POLICY

The Company and its subsidiaries carried its leasehold land and buildings at revalued amounts and placed reliance on the transitional provision when Malaysian Accounting Standards Board first adopted International Accounting Standards 16 which provides exemption from the need to make regular revaluations for such assets. Since financial year ended 30 June 1997, no further revaluation was carried out.

OTHER INFORMATION (CONT'D)

MATERIAL CONTRACTS

Saved as disclosed below, the Board of Kobay is not aware of any material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Kobay and/or its subsidiary companies within the two (2) years immediately preceding to 31 October 2014.

- a) On 16 May 2013, a 70% owned subsidiary company, The 12 Avenues Sdn. Bhd. entered into a Joint Venture Agreement with two individuals to develop a piece of land held under Geran Mukim Lot 244, Tempat Sungai Renggam, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 1.34 acres;
- b) On 7 October 2013, LD Global Sdn. Bhd. ("LD"), the wholly owned subsidiary company of Kobay, entered into a sale and purchase agreement to acquire a piece of 6.8 acres freehold land in Pantai Tengah, Pulau Langkawi, for a purchase consideration of RM14,000,000 of which was completed on 9 January 2014;
- c) On 7 October 2013, LD entered into a Consultancy Agreement with Messrs. Karsan Asia Sdn. Bhd. (871779-A) ("KASB") to appoint KASB as the Project Management Consultant for LD's intended project located at Lot No. 2032 Mukim Kedawang, Pantai Tengah, Pulau Langkawi, Kedah;
- d) On 18 October 2013, Kobay has accepted a credit facilities of RM10 million from Public Bank Berhad as a standby facility to finance additional working capital of the Group; and
- e) On 28 May 2014, Kobay Land Sdn. Bhd. (formerly known as Fine Desserts Sdn. Bhd.) has entered into a Joint Venture Agreement with Messrs. Arabi Manjung Sdn. Bhd. (315382-H) to develop all that piece of land located at Mukim Lumut, Manjung Perak measuring 19.5 acres.

RECURRENT RELATED PARTY TRANSACTIONS

Shareholders' mandate was not procured for recurrent related party transactions entered into during financial year ended 30 June 2014. The amounts transacted during the financial year were within the threshold as prescribed by Bursa Malaysia Securities Berhad's Listing Requirements and no announcement was made.

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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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 2014.

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
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	11,680,549	(634,545)
- Non-controlling interests	182,129	0
	<u>11,862,678</u>	<u>(634,545)</u>

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 2 sen per share amounting to RM1,347,051 in respect of the financial year ended 30 June 2013.

A final single tier dividend of 3 sen per share in respect of the financial year ended 30 June 2014 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.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted 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.

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 18 December 2013 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.

DIRECTORS' REPORT (CONT'D)

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.

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.

DIRECTORS' REPORT (CONT'D)

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, DJN, PJK, PJM (Resigned on 13.10.2014)
Lim Swee Chuan
Dr. Mohamad Zabdi Bin Zamrod
Khaw Eng Peng

Particulars of the interests in shares in the Company 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 1.7.2013	Bought	Sold	At 30.6.2014	At 1.7.2013	At 30.6.2014
Dato' Koay Hean Eng	1,654,154	0	0	1,654,154	17,523,007	17,523,007
Koay Cheng Lye	1,058,995	0	0	1,058,995	17,523,007	17,523,007
Koay Ah Bah @ Koay Cheng Hock	884,665	0	0	884,665	17,523,007	17,523,007
Tan Yok Cheng, DJN, PJK, PJM	1,250	0	0	1,250	0	0

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.

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 disclosed in the financial statements) 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 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement 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: 21 October 2014

Dato' Koay Hean Eng

Lim Swee Chuan

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 40 to 87 give a true and fair view of the financial position of the Group and the Company as at 30 June 2014 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 88 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: 21 October 2014

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 40 to 87 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 21 October 2014

Lim Swee Chuan

Before me
Nachatar Singh A/L Bhag Singh, PKT, PJK, PK
(No. P 126)
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

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 2014 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 40 to 87.

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.

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 2014 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 88 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 (CONT'D)

TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

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

Chan Kheng Hoe

Approval No: 2979/03/16(J)

Chartered Accountant

Date: 21 October 2014

Penang

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 RM	2013 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	65,143,077	63,271,489
Land held for property development	5	27,950,304	13,241,377
Intangible assets	6	237,593	226,627
Available-for-sale financial assets	8	117,200	0
		93,448,174	76,739,493
CURRENT ASSETS			
Inventories	9	11,376,526	10,254,959
Receivables	10	20,112,916	19,609,152
Financial assets at fair value through profit or loss	11	0	38,500
Prepayments	12	4,258,028	856,776
Current tax assets		414,801	1,661,356
Cash and cash equivalents	13	36,157,323	34,287,059
		72,319,594	66,707,802
CURRENT LIABILITIES			
Payables	14	18,097,481	15,767,278
Loans and borrowings	15	1,237,277	639,600
Advance payments from customers		1,683,073	875,456
Current tax liabilities		31,961	93,737
		21,049,792	17,376,071
NET CURRENT ASSETS		51,269,802	49,331,731
NON-CURRENT LIABILITIES			
Loans and borrowings	15	11,151,621	2,314,085
Deferred tax liabilities	16	3,655,936	3,711,277
Deferred income on government grants	17	0	41,087
		14,807,557	6,066,449
NET ASSETS		129,910,419	120,004,775
EQUITY			
Share capital	18	68,080,750	68,080,750
Treasury shares	18	(888,447)	(888,447)
Share premium		1,680,086	1,680,086
Capital reserve	19	1,753,734	203,734
Fair value reserve		(7,325)	0
Currency translation reserve		1,412,351	962,682
Retained profits		57,116,937	48,288,533
Equity attributable to owners of the Company		129,148,086	118,327,338
Non-controlling interests	20	762,333	1,677,437
TOTAL EQUITY		129,910,419	120,004,775

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 RM	2013 RM
Revenue	21	96,422,839	91,164,644
Cost of sales		(74,546,801)	(73,724,759)
Gross profit		21,876,038	17,439,885
Other income		10,872,462	3,067,778
Administrative and general expenses		(16,577,170)	(16,115,744)
Selling and distribution expenses		(2,959,569)	(2,637,425)
Finance costs		(149,149)	(18,795)
Profit before tax	22	13,062,612	1,735,699
Tax expense	24	(1,199,934)	(1,190,523)
Profit for the financial year		11,862,678	545,176
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- (Loss)/Gain on available-for-sale financial assets		(7,325)	95,256
- Currency translation differences for foreign operations		535,218	616,908
- Reclassification adjustments on:-			
- Derecognition of available-for-sale financial assets		0	(224,414)
- Impairment of available-for-sale financial assets		0	47,134
- Dissolution of foreign operations		(84,477)	0
Other comprehensive income for the financial year		443,416	534,884
Total comprehensive income for the financial year		12,306,094	1,080,060
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		11,680,549	(548,773)
- Non-controlling interests	20	182,129	1,093,949
		11,862,678	545,176
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		12,059,079	(330,557)
- Non-controlling interests		247,015	1,410,617
		12,306,094	1,080,060
Earnings/(Loss) per share:-	25		
- Basic (sen)		17.34	(0.81)
- Diluted (sen)		17.34	(0.81)

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Non-distributable				Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Fair value reserve	Currency translation reserve	Retained profits	Company		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 July 2012	68,080,750	(888,447)	1,680,086	108,305	82,024	222,429	39,919,758	109,204,905	40,550,557	149,755,462
Acquisition of subsidiary	0	0	0	0	0	0	0	0	30	30
Gain on available-for-sale financial assets	0	0	0	0	95,256	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	0	(224,414)	0	0	(224,414)	0	(224,414)
- Impairment of available-for-sale financial assets	0	0	0	0	47,134	0	0	47,134	0	47,134
Other comprehensive income for the financial year	0	0	0	0	(82,024)	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	0	(82,024)	300,240	(548,773)	(330,557)	1,410,617	1,080,060
Balance carried forward	68,080,750	(888,447)	1,680,086	108,305	0	522,669	39,370,985	108,874,348	41,961,204	150,835,552

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Non-distributable				Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Fair value reserve	Currency translation reserve	Retained profits	Company		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance brought forward	68,080,750	(888,447)	1,680,086	108,305	0	522,669	39,370,985	108,874,348	41,961,204	150,835,552
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	95,429	0	440,013	8,917,548	9,452,990	(39,878,432)	(30,425,442)
Total transactions with owners	0	0	0	95,429	0	440,013	8,917,548	9,452,990	(40,283,767)	(30,830,777)
Balance at 30 June 2013	68,080,750	(888,447)	1,680,086	203,734	0	962,682	48,288,533	118,327,338	1,677,437	120,004,775

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Non-distributable					Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Fair value reserve	Currency translation reserve	Retained profits	Company	RM		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 July 2013	68,080,750	(888,447)	1,680,086	203,734	0	962,682	48,288,533	118,327,338	1,677,437	120,004,775	
Acquisition of subsidiary	0	0	0	0	0	0	0	0	3,042	3,042	
Capitalisation of retained profits	0	0	0	1,550,000	0	0	(1,550,000)	0	0	0	
Loss on available-for-sale financial assets	0	0	0	0	(7,325)	0	0	(7,325)	0	(7,325)	
Currency translation differences for foreign operations	0	0	0	0	0	470,332	0	470,332	64,886	535,218	
Reclassification adjustment on dissolution of foreign operations	0	0	0	0	0	(84,477)	0	(84,477)	0	(84,477)	
Other comprehensive income for the financial year	0	0	0	0	(7,325)	385,855	0	378,530	64,886	443,416	
Profit for the financial year	0	0	0	0	0	0	11,680,549	11,680,549	182,129	11,862,678	
Total comprehensive income for the financial year	0	0	0	0	(7,325)	385,855	11,680,549	12,059,079	247,015	12,306,094	
Balance carried forward	68,080,750	(888,447)	1,680,086	1,753,734	(7,325)	1,348,537	58,419,082	130,386,417	1,927,494	132,313,911	

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Non-distributable				Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Fair value reserve	Currency translation reserve	Retained profits	Company		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance brought forward	68,080,750	(888,447)	1,680,086	1,753,734	(7,325)	1,348,537	58,419,082	130,386,417	1,927,494	132,313,911
Issue of shares to non-controlling interests	0	0	0	0	0	0	0	0	30,000	30,000
Dividend to owners of the Company (Note 26)	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	(336,021)	(336,021)
Contributions by/ (Distributions to) owners	0	0	0	0	0	0	(1,347,051)	(1,347,051)	(306,021)	(1,653,072)
Changes in ownership interests in subsidiaries	0	0	0	0	0	63,814	44,906	108,720	(859,140)	(750,420)
Total transactions with owners	0	0	0	0	0	63,814	(1,302,145)	(1,238,331)	(1,165,161)	(2,403,492)
Balance at 30 June 2014	68,080,750	(888,447)	1,680,086	1,753,734	(7,325)	1,412,351	57,116,937	129,148,086	762,333	129,910,419

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 RM	2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,062,612	1,735,699
Adjustments for:-			
Amortisation of deferred income on government grants		(41,087)	(41,088)
Depreciation of property, plant and equipment		5,498,896	5,557,025
Dividend income		(2,600)	(7)
Gain on derecognition of available-for-sale financial assets		0	(224,414)
Gain on disposal of property, plant and equipment		(6,344,707)	(163,381)
Gain on dissolution of subsidiaries		(84,477)	0
Impairment loss on available-for-sale financial assets		0	47,134
Impairment loss on loans and receivables		139,580	239,876
Impairment loss on property, plant and equipment		300,000	564,564
Interest expense		149,149	18,795
Interest income		(511,300)	(1,025,416)
Inventories written down		67,547	134,525
Property, plant and equipment written off		58,063	203,481
Reversal of impairment loss on loans and receivables		(1,539,982)	(61,100)
Unrealised gain on financial instruments at fair value through profit or loss		0	(38,500)
Unrealised loss/(gain) on foreign exchange		80,237	(204,963)
Operating profit before working capital changes		10,831,931	6,742,230
Changes in:-			
Inventories		(1,189,114)	47,875
Receivables and prepayments		(1,943,192)	4,874,347
Payables and advance payments		3,139,331	173,779
Financial instruments at fair value through profit or loss		38,500	2,320
Cash generated from operations		10,877,456	11,840,551
Tax paid		(1,945,135)	(1,963,612)
Tax refunded		1,871,207	767,922
Net cash from operating activities		10,803,528	10,644,861
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		3,880	30
Additions to land held for property development		(14,708,927)	0
Dividends received		2,600	7
Down payment for purchase of investment properties		(600,000)	0
Interest received		511,300	1,025,416
Proceeds from disposal of available-for-sale financial assets		0	2,922,989
Proceeds from disposal of property, plant and equipment		9,205,145	295,475
Purchase of available-for-sale financial assets		(124,525)	(500,188)
Purchase of property, plant and equipment		(10,361,009)	(10,991,876)
Net cash used in investing activities		(16,071,536)	(7,248,147)

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 RM	2013 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of shares from non-controlling interests		(750,420)	0
Capital repayment to non-controlling interests		0	(30,425,442)
Dividend paid to owners of the Company		(1,347,051)	0
Dividends paid to non-controlling interests		(336,021)	(435,305)
Interest paid		(149,149)	(18,795)
Issue of shares to non-controlling interests		30,000	0
Placement of term deposits pledged as security		(174)	(31,618)
Repayment of hire purchase obligations		0	(213,367)
Repayment of term loans		(1,222,468)	(106,600)
Share application money received from non-controlling interests		0	29,970
Term loans raised		10,657,681	3,060,285
Net cash from/(used in) financing activities		6,882,398	(28,140,872)
Currency translation differences		255,700	352,925
Net increase/(decrease) in cash and cash equivalents		1,870,090	(24,391,233)
Cash and cash equivalents brought forward		33,868,720	58,259,953
Cash and cash equivalents carried forward	13	35,738,810	33,868,720

The annexed notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 RM	2013 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	200,481	249,834
Investments in subsidiaries	7	43,155,938	50,136,303
		43,356,419	50,386,137
CURRENT ASSETS			
Receivables	10	24,537,144	11,716,918
Prepayments		110,200	7,246
Current tax assets		0	1,129,802
Cash and cash equivalents	13	23,673,251	20,873,152
		48,320,595	33,727,118
CURRENT LIABILITIES			
Payables	14	1,304,620	1,327,597
Loans and borrowings	15	338,477	0
		1,643,097	1,327,597
NET CURRENT ASSETS		46,677,498	32,399,521
NON-CURRENT LIABILITIES			
Loans and borrowings	15	9,229,855	0
NET ASSETS		80,804,062	82,785,658
EQUITY			
Share capital	18	68,080,750	68,080,750
Treasury shares	18	(888,447)	(888,447)
Share premium		1,680,086	1,680,086
Retained profits		11,931,673	13,913,269
TOTAL EQUITY		80,804,062	82,785,658

The annexed notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 RM	2013 RM
Revenue	21	1,976,183	3,680,680
Other income		3,604,954	1,004,224
Administrative and general expenses		(6,196,969)	(4,217,246)
(Loss)/Profit before tax	22	(615,832)	467,658
Tax expense	24	(18,713)	(360,259)
(Loss)/Profit for the financial year		(634,545)	107,399
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Gain on available-for-sale financial assets		0	16,428
- Reclassification adjustment on derecognition of available-for-sale financial assets		0	(102,356)
Other comprehensive income for the financial year		0	(85,928)
Total comprehensive income for the financial year		(634,545)	21,471

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Share capital RM	Treasury shares RM	Non-distributable		Distributable Retained profits RM	Total equity RM
			Share premium RM	Fair value reserve RM		
Balance at 1 July 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
Loss (representing total comprehensive income) for the financial year	0	0	0	0	(634,545)	(634,545)
Dividend (representing total transactions with owners) (Note 26)	0	0	0	0	(1,347,051)	(1,347,051)
Balance at 30 June 2014	68,080,750	(888,447)	1,680,086	0	11,931,673	80,804,062

The annexed notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 RM	2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(615,832)	467,658
Adjustments for:-			
Depreciation of property, plant and equipment		66,440	70,905
Gain on derecognition of available-for-sale financial assets		0	(102,356)
Gross dividend income		(721,783)	(2,847,500)
Impairment loss on investments in subsidiaries		1,826,960	758,072
Impairment loss on loans and receivables		312,096	693,671
Interest income		(350,354)	(830,026)
Loss on change in ownership interest in subsidiary		156,600	0
Loss on disposal of property, plant and equipment		0	1,232
Loss on dissolution of subsidiary		72,475	0
Property, plant and equipment written off		3,810	5,528
Reversal of impairment loss on investments in subsidiaries		(429,426)	0
Reversal of impairment loss on loans and receivables		(2,817,212)	(71,842)
Operating loss before working capital changes		(2,496,226)	(1,854,658)
Changes in:-			
Receivables and prepayments		(60,233)	255,307
Payables		43,620	(2,837)
Cash absorbed by operations		(2,512,839)	(1,602,188)
Tax refunded		1,111,089	0
Net cash used in operating activities		(1,401,750)	(1,602,188)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary		(7,000)	(70)
Additional investments in subsidiaries		0	(941,192)
Dividends received		721,783	2,269,375
Interest received		350,354	830,026
Net advance to subsidiaries		(11,036,428)	(4,109,436)
Proceeds from disposal of available-for-sale financial assets		0	1,939,863
Proceeds from disposal of property, plant and equipment		1,666	100
Proceeds from dissolution of subsidiary		1,152,754	0
Purchase of available-for-sale financial assets		0	(8,086)
Purchase of property, plant and equipment		(22,563)	(25,154)
Redemption of preference shares from subsidiaries		7,027,000	0
Share application money paid to subsidiary		0	(69,930)
Subscription for shares in subsidiaries		(2,206,998)	(1,000,000)
Net cash used in investing activities		(4,019,432)	(1,114,504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,347,051)	0
Repayment of term loan		(431,668)	0
Term loan raised		10,000,000	0
Net cash from financing activities		8,221,281	0
Net increase/(decrease) in cash and cash equivalents		2,800,099	(2,716,692)
Cash and cash equivalents brought forward		20,865,152	23,581,844
Cash and cash equivalents carried forward	13	23,665,251	20,865,152

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 Bayan Lepas, Penang.

The consolidated financial statements set out on pages 40 to 47 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 48 to 51 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements 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 21 October 2014.

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 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 FRSs contained in the document entitled " <i>Improvements to FRSs (2012)</i> "	1 January 2013

The Group and the Company have also early adopted the amendments to FRS 136 *Recoverable Amount Disclosures for Non-Financial Assets* which are effective for annual periods beginning on or after 1 January 2014.

The adoption of the above FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as follows:-

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 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The adoption of these new control criteria did not result in any changes in the existing composition of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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>	To be announced
FRS 9 <i>Financial Instruments</i> (Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139)	To be announced
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to FRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to FRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
Amendments to FRSs contained in the document entitled " <i>Annual Improvements to FRSs 2010 - 2012 Cycle</i> "	1 July 2014
Amendments to FRSs contained in the document entitled " <i>Annual Improvements to FRSs 2011 - 2013 Cycle</i> "	1 July 2014

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 in the existing measurement bases of financial assets of the Group and the Company.

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 the Construction of Real Estate*, including their parents, significant investors and joint venturers ("Transitioning Entities"). As announced by the MASB on 2 September 2014, Transitioning Entities are allowed to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2017.

Being a Transitioning Entity as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with the FRS Framework and will first present the financial statements in accordance with the MFRS Framework for the financial year ending 30 June 2018. Management is currently examining the financial impacts of transition to the MFRS Framework.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, Plant and Equipment (Cont'd)

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.

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. The portion of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle is classified as non-current assets.

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 of disposal 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, 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) 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.

(iii) Available-for-sale financial assets

All investments in equity instruments (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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Assets (Cont'd)

Impairment (Cont'd)

(ii) Available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument 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.

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.

(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.

2.12 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Foreign Currency Transactions and Translation (Cont'd)

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.

2.13 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.

2.14 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Fair Value Measurement (Cont'd)

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of quoted investment is directly measured using its unadjusted closing price in an active market (i.e. Level 1).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits, term deposits, 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. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

4. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings	Building improvement and renovation	Factory machinery, moulds and equipment	Furniture, fittings, office equipment and computer software	Tools and accessories	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<u>Cost/Valuation</u>								
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
<u>Representing:-</u>								
- 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
<u>Balance at 1 July 2013</u>	42,473,250	6,493,856	82,736,024	7,144,287	1,223,147	2,223,636	7,329,425	149,623,625
Additions	746,593	203,456	8,476,691	340,465	21,038	15,227	557,539	10,361,009
Disposals/Write-offs	(2,787,403)	(433,154)	(5,795,728)	(913,211)	(103,207)	(82,770)	0	(10,115,473)
Reclassifications	4,603,321	25,014	1,457,932	1,008,906	0	0	(7,095,173)	0
Currency translation differences	0	69,516	476,406	20,746	0	7,189	0	573,857
Balance at 30 June 2014	45,035,761	6,358,688	87,351,325	7,601,193	1,140,978	2,163,282	791,791	150,443,018
<u>Representing:-</u>								
- Cost	34,591,761	6,358,688	87,351,325	7,601,193	1,140,978	2,163,282	791,791	139,999,018
- Valuation	10,444,000	0	0	0	0	0	0	10,444,000
	45,035,761	6,358,688	87,351,325	7,601,193	1,140,978	2,163,282	791,791	150,443,018

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Land and buildings	Building improvement and renovation	Factory machinery, moulds and equipment	Furniture, fittings, office equipment and computer software	Tools and accessories	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<u>Depreciation and Impairment Losses</u>								
Balance at 1 July 2012	8,416,177	2,432,184	63,494,660	4,730,551	865,662	1,275,445	0	81,214,679
Accumulated depreciation	0	0	715,538	102,978	28,946	14,243	127,220	988,925
Accumulated impairment losses	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	9,176,796	3,064,198	65,334,589	4,949,490	878,502	1,462,939	0	84,866,514
Accumulated depreciation	0	147,314	835,482	253,685	82,528	39,393	127,220	1,485,622
Accumulated impairment losses	9,176,796	3,211,512	66,170,071	5,203,175	961,030	1,502,332	127,220	86,352,136
Depreciation	838,663	423,109	3,492,019	523,284	37,868	183,953	0	5,498,896
Impairment loss	0	0	300,000	0	0	0	0	300,000
Disposals/Write-offs	(872,435)	(431,001)	(4,898,675)	(808,667)	(105,987)	(80,207)	0	(7,196,972)
Currency translation differences	0	60,237	271,558	12,580	0	1,506	0	345,881
Balance at 30 June 2014	9,143,024	3,263,857	64,430,721	4,829,526	813,881	1,573,252	0	84,054,261
Accumulated depreciation	0	0	904,252	100,846	79,030	34,332	127,220	1,245,680
Accumulated impairment losses	9,143,024	3,263,857	65,334,973	4,930,372	892,911	1,607,584	127,220	85,299,941
<u>Carrying Amount</u>								
Balance at 1 July 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
Balance at 30 June 2014	35,892,737	3,094,831	22,016,352	2,670,821	248,067	555,698	664,571	65,143,077

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 2012	3,627,303	900,000	10,866,794	27,079,153	42,473,250
Movement during the year	0	0	0	0	0
Balance at 30 June 2013	3,627,303	900,000	10,866,794	27,079,153	42,473,250
Representing:-					
- Cost	3,627,303	900,000	5,677,794	19,614,153	29,819,250
- Valuation	0	0	5,189,000	7,465,000	12,654,000
	3,627,303	900,000	10,866,794	27,079,153	42,473,250
Balance at 1 July 2013	3,627,303	900,000	10,866,794	27,079,153	42,473,250
Additions	534,300	0	0	212,293	746,593
Disposals	0	0	(1,555,000)	(1,232,403)	(2,787,403)
Reclassifications	0	0	0	4,603,321	4,603,321
Balance at 30 June 2014	4,161,603	900,000	9,311,794	30,662,364	45,035,761
Representing:-					
- Cost	4,161,603	900,000	5,677,794	23,852,364	34,591,761
- Valuation	0	0	3,634,000	6,810,000	10,444,000
	4,161,603	900,000	9,311,794	30,662,364	45,035,761
<u>Accumulated Depreciation</u>					
Balance at 1 July 2012	0	234,458	2,718,411	5,463,308	8,416,177
Depreciation	0	11,220	210,448	538,951	760,619
Balance at 30 June 2013	0	245,678	2,928,859	6,002,259	9,176,796
Depreciation	0	11,220	201,025	626,418	838,663
Disposals	0	0	(482,086)	(390,349)	(872,435)
Balance at 30 June 2014	0	256,898	2,647,798	6,238,328	9,143,024
<u>Carrying Amount</u>					
Balance at 1 July 2012	3,627,303	665,542	8,148,383	21,615,845	34,057,073
Balance at 30 June 2013	3,627,303	654,322	7,937,935	21,076,894	33,296,454
Balance at 30 June 2014	4,161,603	643,102	6,663,996	24,424,036	35,892,737

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 their entire classes that would have been recognised in the financial statements are as follows:-

The Group	2014 RM	2013 RM
Short-term leasehold land	5,029,659	5,536,525
Buildings	23,483,585	20,084,259
	28,513,244	25,620,784

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

The Group	2014 RM	2013 RM
Short-term leasehold land	1,074,908	0
Buildings	5,898,024	0
	6,972,932	0

The Company	Renovation RM	Furniture, fittings and office equipment RM	Tools and accessories RM	Motor vehicles RM	Total RM
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Cost

Balance at 1 July 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
Additions	0	22,563	0	0	22,563
Disposals/Write-offs	0	(49,888)	(825)	0	(50,713)
Balance at 30 June 2014	43,735	694,072	0	542,168	1,279,975

Accumulated Depreciation

Balance at 1 July 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
Depreciation	0	66,440	0	0	66,440
Disposals/Write-offs	0	(44,412)	(825)	0	(45,237)
Balance at 30 June 2014	43,734	493,595	0	542,165	1,079,494

Carrying Amount

Balance at 1 July 2012	4,039	298,403	0	3	302,445
Balance at 30 June 2013	1	249,830	0	3	249,834
Balance at 30 June 2014	1	200,477	0	3	200,481

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

5. LAND HELD FOR PROPERTY DEVELOPMENT

The Group	2014 RM	2013 RM
Balance at 1 July		
- Freehold land	13,203,753	13,203,753
- Development costs	37,624	37,624
	13,241,377	13,241,377
Acquisition of freehold land	14,514,350	0
Development costs incurred	194,577	0
Balance at 30 June		
- Freehold land	27,718,103	13,203,753
- Development costs	232,201	37,624
	27,950,304	13,241,377

6. INTANGIBLE ASSETS

The Group	Goodwill RM	Intellectual property RM	Total RM
Balance at 1 July 2012	15,317	204,000	219,317
Currency translation differences	510	6,800	7,310
Balance at 30 June 2013	15,827	210,800	226,627
Currency translation differences	766	10,200	10,966
Balance at 30 June 2014	16,593	221,000	237,593

7. INVESTMENTS IN SUBSIDIARIES

The Company	2014 RM	2013 RM
Unquoted shares, at cost	50,657,757	56,240,588
Impairment losses	(7,501,819)	(6,104,285)
	43,155,938	50,136,303

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2014	2013	
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
Kewjaya Sdn. Bhd.	Malaysia	100.00%	100.00%	Money lending and leasing

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2014	2013	
Kobay Assets Sdn. Bhd.	Malaysia	100.00%	100.00%	Property letting
Kobay Land Sdn. Bhd. (formerly known as Fine Desserts Sdn. Bhd.)	Malaysia	100.00%	100.00%	Property development
Kobay Project Venture Sdn. Bhd. (formerly known as Polytool Integration Sdn. Bhd.)	Malaysia	100.00%	100.00%	Ceased operations
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	70.00%	100.00%	Inactive
LD Global Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
Lipo Corporation Sdn. Bhd.	Malaysia	100.00%	100.00%	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.	China	0.00%	100.00%	Dissolved
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.	Malaysia	70.00%	70.00%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	70.00%	N/A	Supply of engineering parts and accessories, and services to oil & gas industry
<u>Subsidiaries of Kobay SCM (S) Pte. Ltd.</u>				
Microhandling Asia Pte. Ltd. ^(a)	Singapore	59.88%	30.48%	Manufacture of semiconductor assembly and testing equipment
United Manufacturing Corporation Pte. Ltd. ^(a)	Singapore	60.00%	60.00%	Ceased operations

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2014	2013	
Subsidiaries of Lipo Corporation Sdn. Bhd.				
Lipo Precision Industry (Suzhou) Co., Ltd. ^(a)	China	100.00%	100.00%	Manufacture of precision machined components
Micro Surface Treatment Sdn. Bhd.	Malaysia	88.00%	88.00%	Precision plating and surface treatment
Paradigm Metal Industries Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of precision metal stamping and sheet metal parts
Paradigm Precision Components Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of precision machined components
Paradigm Precision Machining Sdn. Bhd.	Malaysia	100.00%	100.00%	Inactive
Super Tropica Development Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
Suzhou Univex Metal Tech Co., Ltd.	China	0.00%	100.00%	Dissolved

^(a) Not audited by Crowe Horwath

Acquisition of Subsidiary

In December 2013, the Company acquired 70% equity interest in Wirama Progresif Sdn. Bhd. by subscribing for 7,000 new ordinary shares of RM1.00 each in the latter for a total consideration of RM7,000. The acquisition did not have any significant impacts on the financial statements.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group	2014	2013
	RM	RM
Shares quoted in Malaysia, at fair value	117,200	0

The fair values of quoted investments are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

9. INVENTORIES

The Group	2014 RM	2013 RM
Raw materials and consumables	2,183,345	2,033,478
Work-in-progress	6,285,952	5,058,005
Finished goods	2,734,661	3,050,833
Goods-in-transit	172,568	112,643
	11,376,526	10,254,959

10. RECEIVABLES

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade receivables	19,652,384	19,307,528	0	0
Allowance for impairment	(129,416)	(375,632)	0	0
	19,522,968	18,931,896	0	0
Loan receivables (fixed rate)	2,009,139	3,420,568	0	0
Allowance for impairment	(2,008,848)	(3,407,348)	0	0
	291	13,220	0	0
Subsidiaries	0	0	25,042,251	14,684,420
Allowance for impairment	0	0	(544,742)	(2,994,858)
	0	0	24,497,509	11,689,562
Other receivables	690,349	720,608	41,207	83,928
Allowance for impairment	(100,692)	(56,572)	(1,572)	(56,572)
	589,657	664,036	39,635	27,356
	20,112,916	19,609,152	24,537,144	11,716,918

The currency profile of receivables is as follows:-

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	12,533,626	10,411,520	24,381,144	11,540,925
Renminbi	2,413,683	1,727,194	0	0
US Dollar	3,990,537	6,539,958	0	0
Others	1,175,070	930,480	156,000	175,993
	20,112,916	19,609,152	24,537,144	11,716,918

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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	2014 RM	2013 RM
Balance at 1 July	375,632	370,587
Impairment loss recognised	31,612	127,528
Impairment loss reversed	(77,634)	(61,100)
Impairment loss written off	(200,194)	(61,383)
Balance at 30 June	<u>129,416</u>	<u>375,632</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	2014 RM	2013 RM
Not past due	16,651,242	16,434,693
Past due 1 to 30 days	2,009,682	1,681,577
Past due 31 to 120 days	838,495	678,449
Past due more than 120 days	23,549	137,177
	<u>19,522,968</u>	<u>18,931,896</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 2014, 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	2014 RM	2013 RM
Malaysia	12,801,797	10,427,214
China	2,199,212	1,585,655
Singapore	1,812,454	3,131,382
Others	2,709,505	3,787,645
	<u>19,522,968</u>	<u>18,931,896</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. RECEIVABLES (CONT'D)

Loan Receivables

Loan receivables are unsecured and repayable on demand. The effective interest rates as at 30 June 2014 ranged from 8.00% to 9.00% (2013 : 8.00% to 10.00%) per annum.

The movements in allowance for impairment are as follows:-

The Group	2014 RM	2013 RM
Balance at 1 July	3,407,348	3,350,000
Impairment loss recognised	8,848	57,348
Impairment loss reversed	(1,407,348)	0
Balance at 30 June	2,008,848	3,407,348

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 RM1,184,979 as at 30 June 2013 which bore interest at 5.25% per annum.

The movements in allowance for impairment are as follows:-

The Company	2014 RM	2013 RM
Balance at 1 July	2,994,858	2,428,029
Impairment loss recognised	312,096	638,671
Impairment loss reversed	(2,762,212)	(71,842)
Balance at 30 June	544,742	2,994,858

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.

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Balance at 1 July	56,572	1,572	56,572	1,572
Impairment loss recognised	99,120	55,000	0	55,000
Impairment loss reversed	(55,000)	0	(55,000)	0
Balance at 30 June	100,692	56,572	1,572	56,572

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group	2014 RM	2013 RM
Derivatives classified as held for trading, at fair value	0	38,500

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 with financial institutions due within 1 year to buy RM1,563,500 and sell USD500,000 at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

12. PREPAYMENTS

The Group

Included herein are:-

- (i) a down payment of RM600,000 (2013 : NIL) made for the purchase of investment properties; and
- (ii) a deposit for due performance of RM2,000,000 (2013 : NIL) plus incidental costs of RM640,361 (2013 : NIL) paid in relation to a joint venture agreement entered into by a subsidiary with a land proprietor to develop a piece of leasehold land owned by the latter. As the subsidiary is in the midst of applying approvals of the relevant authorities for the proposed development project, the amounts paid are classified as prepayments and will be included in property development costs upon commencement of the project.

13. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Highly liquid investments	3,571,538	7,522,961	2,206,023	4,541,877
Term deposits with licensed banks (fixed rate)	12,796,960	17,437,193	11,480,928	16,129,250
Cash and bank balances	19,788,825	9,326,905	9,986,300	202,025
	<u>36,157,323</u>	<u>34,287,059</u>	<u>23,673,251</u>	<u>20,873,152</u>

Certain term deposits of the Group and the Company totalling RM418,513 and RM8,000 (2013 : RM418,339 and RM8,000) respectively have been pledged as security for credit facilities granted to the Group and the Company. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 30 June 2014 ranged from 2.95% to 3.20% (2013 : 1.50% to 3.30%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

13. CASH AND CASH EQUIVALENTS (CONT'D)

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

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Ringgit Malaysia	29,715,357	28,206,080	23,673,251	20,873,152
Renminbi	2,093,566	2,562,035	0	0
US Dollar	4,021,092	2,810,850	0	0
Others	327,308	708,094	0	0
	36,157,323	34,287,059	23,673,251	20,873,152

For the purpose of statement of cash flows, cash and cash equivalents are presented net of pledged deposits as follows:-

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Cash and cash equivalents	36,157,323	34,287,059	23,673,251	20,873,152
Term deposits pledged as security	(418,513)	(418,339)	(8,000)	(8,000)
	35,738,810	33,868,720	23,665,251	20,865,152

14. PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Trade payables:-				
- Related party ^(a)	58,402	92,456	0	0
- Related party ^(b)	398,408	124,678	0	0
- Unrelated parties	11,881,214	9,397,606	0	0
	12,338,024	9,614,740	0	0
Subsidiaries	0	0	1,035,000	1,101,597
Other payables	5,759,457	6,152,538	269,620	226,000
	18,097,481	15,767,278	1,304,620	1,327,597

^(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

The currency profile of payables is as follows:-

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Ringgit Malaysia	12,940,721	12,052,544	1,304,620	1,327,597
Renminbi	2,318,529	1,250,734	0	0
US Dollar	2,261,990	1,971,226	0	0
Others	576,241	492,774	0	0
	18,097,481	15,767,278	1,304,620	1,327,597

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

14. PAYABLES (CONT'D)

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 except for an amount of RM235,000 (2013 : NIL) which bears interest at 4.00% per annum.

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.

15. LOANS AND BORROWINGS

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Term loans (floating rate):-				
- Secured	9,568,332	0	9,568,332	0
- Unsecured	2,820,566	2,953,685	0	0
	<u>12,388,898</u>	<u>2,953,685</u>	<u>9,568,332</u>	<u>0</u>
Disclosed as:-				
- Current liabilities	1,237,277	639,600	338,477	0
- Non-current liabilities	11,151,621	2,314,085	9,229,855	0
	<u>12,388,898</u>	<u>2,953,685</u>	<u>9,568,332</u>	<u>0</u>

Secured term loan is secured against certain property, plant and equipment (Note 4).

The effective interest rates of term loans as at 30 June 2014 ranged from 4.40% to 4.98% (2013 : 6.18%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

15. LOANS AND BORROWINGS (CONT'D)

Term loans are repayable over 3 to 20 years. The repayment analysis is as follows:-

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Gross loan instalments:-				
- Within 1 year	1,771,461	804,021	752,712	0
- Later than 1 year and not later than 2 years	1,735,296	782,610	752,712	0
- Later than 2 years and not later than 5 years	3,364,244	1,866,353	2,258,136	0
- Later than 5 years	10,530,869	0	10,530,869	0
Total contractual undiscounted cash flows	17,401,870	3,452,984	14,294,429	0
Future finance charges	(5,012,972)	(499,299)	(4,726,097)	0
Present value of term loans:-				
- Within 1 year	1,237,277	639,600	338,477	0
- Later than 1 year and not later than 2 years	1,240,556	639,600	353,675	0
- Later than 2 years and not later than 5 years	2,169,871	1,674,485	1,134,986	0
- Later than 5 years	7,741,194	0	7,741,194	0
	12,388,898	2,953,685	9,568,332	0

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

16. DEFERRED TAX LIABILITIES

The Group		2014	2013
		RM	RM
Balance at 1 July		3,711,277	3,626,712
Deferred tax expense relating to origination and reversal of temporary differences		594,000	29,027
Deferred tax liabilities (over)/under provided in prior year		(650,584)	55,000
Currency translation differences		1,243	538
Balance at 30 June		3,655,936	3,711,277
In respect of taxable/(deductible) temporary differences of:-			
- Property, plant and equipment		3,680,936	3,672,277
- Financial instruments		(25,000)	39,000
		3,655,936	3,711,277

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

16. DEFERRED TAX LIABILITIES (CONT'D)

Save as disclosed above, as at 30 June 2014, 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 RM664,000 and RM68,000 (2013 : RM952,000 and RM74,000) 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	
	2014	2013	2014	2013
	RM	RM	RM	RM
Deductible temporary differences of financial instruments	9,000	1,485,000	0	0
Unused capital allowances	4,270,000	5,582,000	599,000	586,000
Unused tax losses with:-				
- Expiry date in 2017	1,643,000	1,643,000	0	0
- Expiry date in 2018	1,714,000	513,000	0	0
- Expiry date in 2019	255,000	0	0	0
- No expiry date	21,884,000	20,108,000	1,707,000	18,000
Taxable temporary differences of:-				
- Property, plant and equipment	(2,570,000)	(3,736,000)	(184,000)	(227,000)
- Financial instruments	(86,000)	(70,000)	(86,000)	(70,000)
	<u>27,119,000</u>	<u>25,525,000</u>	<u>2,036,000</u>	<u>307,000</u>

17. DEFERRED INCOME ON GOVERNMENT GRANTS

The Group	2014	2013
	RM	RM
Balance at 1 July	41,087	82,175
Amortisation	(41,087)	(41,088)
Balance at 30 June	<u>0</u>	<u>41,087</u>

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

18. SHARE CAPITAL

	2014	2013
	RM	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>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

18. SHARE CAPITAL (CONT'D)

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:-

	2014		2013	
	Number of Shares	RM	Number of Shares	RM
Balance at 1 July/30 June	728,200	888,447	728,200	888,447

The number of outstanding shares in issue after excluding the treasury shares is 67,352,550 (2013 : 67,352,550).

19. CAPITAL RESERVE

The Group	2014 RM	2013 RM
Retained profits of subsidiaries capitalised upon:-		
- Dividend declaration	203,734	203,734
- Bonus issue	1,550,000	0
	1,753,734	203,734

20. NON-CONTROLLING INTERESTS ("NCI")

The Group	Accumulated NCI		Profit/(Loss) Allocated to NCI	
	2014 RM	2013 RM	2014 RM	2013 RM
Kobay SCM (S) Pte. Ltd. and its subsidiaries	439,439	1,348,086	194,343	491,707
Kobay Systems Sdn. Bhd.	1,019	0	(1,676)	0
The 12 Avenues Sdn. Bhd.	18,308	20,412	(2,104)	(9,588)
Wirama Progresif Sdn. Bhd.	(205)	0	(3,247)	0
Micro Surface Treatment Sdn. Bhd. ("MST")	303,772	308,939	(5,187)	220,954
Lipo Corporation Sdn. Bhd. and its subsidiaries other than MST	0	0	0	390,876
	762,333	1,677,437	182,129	1,093,949

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

20. NON-CONTROLLING INTERESTS ("NCI") (CONT'D)

The details of the subsidiaries that have NCI are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2014	2013	
Kobay SCM (S) Pte. Ltd.	Singapore	40.00%	40.00%	Investment holding
Kobay Systems Sdn. Bhd.	Malaysia	30.00%	0.00%	Inactive
The 12 Avenues Sdn. Bhd.	Malaysia	30.00%	30.00%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	30.00%	N/A	Supply of engineering parts and accessories, and services to oil & gas industry
Micro Surface Treatment Sdn. Bhd.	Malaysia	12.00%	12.00%	Precision plating and surface treatment
<u>Subsidiaries of Kobay SCM (S) Pte. Ltd.</u>				
Microhandling Asia Pte. Ltd.	Singapore	40.12%	69.52%	Manufacture of semiconductor assembly and testing equipment
United Manufacturing Corporation Pte. Ltd.	Singapore	40.00%	40.00%	Ceased operations

The summarised financial information about the assets, liabilities, profit or loss and cash flows of the above subsidiaries has not been disclosed as their NCI are not material to the Group.

Changes in Ownership Interests in Subsidiaries

In December 2013, the Group, through the Company, subscribed for 6,998 of the total 9,998 new ordinary shares of RM1.00 each in Kobay Systems Sdn. Bhd. ("KS"), resulting in a dilution of the Group's ownership interest in KS from 100% to 70%. In June 2014, the Group, through Kobay SCM (S) Pte. Ltd., acquired 245,000 ordinary shares of SGD1.00 each in Microhandling Asia Pte. Ltd. ("MHA") from NCI, resulting in an accretion of the Group's ownership interest in MHA from 30.48% to 59.88%.

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

	RM
Amount by which NCI are adjusted	859,140
Cash consideration paid	(750,420)
Increase in equity attributable to owners of the Company	<u>108,720</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

21. REVENUE

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Sale of goods	91,951,344	90,036,414	0	0
Rendering of services	4,184,442	798,983	1,254,400	833,180
Dividend income	2,600	7	721,783	2,847,500
Interest income	54,293	99,080	0	0
Rental income	230,160	230,160	0	0
	96,422,839	91,164,644	1,976,183	3,680,680

22. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	169,070	186,432	24,000	24,000
- Prior year	(14,500)	(4,000)	1,000	0
Depreciation of property, plant and equipment	5,498,896	5,557,025	66,440	70,905
Directors' remuneration:-				
- Fees	20,000	46,467	20,000	20,000
- Other emoluments	1,058,072	1,017,475	1,015,341	813,875
Fee expense for financial instruments not at fair value through profit or loss	83,251	97,592	1,270	987
Impairment loss on available-for-sale financial assets	0	47,134	0	0
Impairment loss on investments in subsidiaries ^(a)	0	0	1,826,960	758,072
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	312,096	638,671
- Unrelated parties	139,580	239,876	0	55,000
Impairment loss on property, plant and equipment ^(a)	300,000	564,564	0	0
Interest expense for financial liabilities not at fair value through profit or loss	149,149	18,795	0	0
Inventories written down	67,547	134,525	0	0
Loss on change in ownership interest in subsidiary	0	0	156,600	0
Loss on disposal of property, plant and equipment	0	0	0	1,232
Loss on dissolution of subsidiary	0	0	72,475	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	38,500	0	0	0

^(a) Included in administrative and general expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

22. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Loss on foreign exchange:-				
- Realised	0	347,751	0	30
- Unrealised	80,237	0	0	0
Property, plant and equipment written off	58,063	203,481	3,810	5,528
Rental of machinery and equipment	9,480	9,250	0	0
Rental of motor vehicles	6,100	350	0	0
Rental of premises	734,290	857,331	48,000	36,000
and crediting:-				
Amortisation of deferred income on government grants	41,087	41,088	0	0
Gain on derecognition of available-for-sale financial assets	0	224,414	0	102,356
Gain on disposal of property, plant and equipment	6,344,707	163,381	0	0
Gain on dissolution of subsidiaries	84,477	0	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	0	36,180	0	0
Gain on foreign exchange:-				
- Realised	368,585	0	5,862	0
- Unrealised	0	204,963	0	0
Grants related to income	0	12,400	0	0
Gross dividend income from investments quoted in Malaysia	2,600	7	0	0
Gross dividend income from subsidiaries	0	0	721,783	2,847,500
Interest income for financial assets not at fair value through profit or loss	565,593	1,124,496	350,354	830,026
Rental of premises	276,644	279,660	0	0
Reversal of impairment loss on investments in subsidiaries ^(b)	0	0	429,426	0
Reversal of impairment loss on loans and receivables:-				
- Subsidiaries	0	0	2,762,212	71,842
- Unrelated parties	1,539,982	61,100	55,000	0

^(b) Included in other income

23. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Short-term employee benefits	26,674,453	24,750,309	2,902,210	2,146,238
Defined contribution plans	2,455,279	2,058,851	315,923	229,976
	29,129,732	26,809,160	3,218,133	2,376,214

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

24. TAX EXPENSE

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Tax based on results for the year:-				
Malaysian income tax	1,184,296	1,164,117	0	353,000
Overseas income tax	19,162	101,408	0	0
Deferred tax	594,000	29,027	0	0
	1,797,458	1,294,552	0	353,000
Tax under/(over) provided in prior year:-				
Malaysian income tax	59,334	(178,875)	18,713	7,259
Overseas income tax	(6,274)	19,846	0	0
Deferred tax	(650,584)	55,000	0	0
	1,199,934	1,190,523	18,713	360,259

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	
	2014	2013	2014	2013
	%	%	%	%
Applicable tax rate	25.00	25.00	(25.00)	25.00
Non-deductible expenses	5.19	45.41	117.96	85.68
Non-taxable income	(11.32)	(13.48)	(163.11)	(37.91)
Tax incentives claimed	(6.79)	(49.73)	0.00	0.00
Effect of differential tax rates	(0.01)	1.20	0.00	0.00
Increase in unrecognised deferred tax assets	3.05	66.18	70.15	2.71
Reversal of deferred tax upon disposal of revalued properties	(1.36)	0.00	0.00	0.00
Average effective tax rate	13.76	74.58	0.00	75.48

The Company may distribute its entire retained profits as tax exempt dividends under the single tier tax system.

25. EARNINGS/(LOSS) PER SHARE

The Group

The basic earnings/(loss) per share is calculated by dividing the Group's profit/(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:-

	2014	2013
Profit/(Loss) for the financial year attributable to owners of the Company (RM)	11,680,549	(548,773)
Weighted average number of shares in issue	67,352,550	67,352,550
Basic earnings/(loss) per share (sen)	17.34	(0.81)

The diluted earnings/(loss) per share equals the basic earnings/(loss) per share as the Company did not have any dilutive potential ordinary shares during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

26. DIVIDEND

The Group and the Company	2014 RM	2013 RM
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Final tax exempt dividend of 2 sen per share in respect of the financial year ended 30 June 2013

1,347,051 0

A final single tier dividend of 3 sen per share in respect of the financial year ended 30 June 2014 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

27. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,493,364	1,641,848	941,413	747,504
- Defined contribution plan	131,964	139,003	93,928	86,371
	1,625,328	1,780,851	1,035,341	833,875
Disposal of property, plant and equipment to subsidiaries	0	0	1,666	100
Dividends received from subsidiaries	0	0	721,783	2,269,375
Interest charged to subsidiaries	0	0	19,831	203,240
Management fees charged to subsidiaries	0	0	1,254,400	833,180
Purchase of goods from other related party ^(a)	250,688	374,571	0	0
Purchase of goods from other related party ^(b)	605,785	186,802	0	0
Purchase of property, plant and equipment from subsidiary	0	0	0	23,532
Receiving of services from subsidiary	0	0	1,724	3,050
Receiving of services from other related party ^(a)	0	195	0	0
Redemption of preference shares from subsidiaries	0	0	7,090,000	0
Rental of premises charged by subsidiary	0	0	48,000	36,000
Share application money paid to subsidiary	0	0	0	69,930
Subscription for shares in subsidiaries	0	0	2,951,928	8,000,000

^(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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

28. 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 money lending, food and beverage business, hotel operation and supply of engineering parts.

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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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

28. 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
2014								
STATEMENT OF FINANCIAL POSITION								
Segment assets	10,167,406	71,324,699	14,997,696	31,470,947	6,725,639	100,151,725	(69,070,344)	165,767,768
Included in the measure of segment assets are:-								
- Additions to non-current assets	156,023	8,784,915	1,433,671	14,708,927	26,472	22,563	(62,635)	25,069,936
Segment liabilities	4,673,629	17,619,193	2,377,738	19,903,461	5,567,123	12,295,391	(26,579,186)	35,857,349
STATEMENT OF COMPREHENSIVE INCOME								
Segment profit/(loss)	795,888	5,262,926	6,123,527	(354,711)	1,382,206	(630,338)	(716,820)	11,862,678
Included in the measure of segment profit/(loss) are:-								
- External revenue	18,850,777	63,870,609	12,493,789	0	947,162	260,502	0	96,422,839
- Intersegment revenue	255,089	34,700	0	0	1,724	2,373,371	(2,664,884)	0
- Interest income	38,086	74,272	54,771	0	3,293	360,709	(19,831)	511,300
- Reversal of impairment loss on loans and receivables	77,634	0	0	0	1,407,348	2,817,212	(2,762,212)	1,539,982
- Other non-cash income	0	41,087	0	0	0	0	84,477	125,564
- Interest expense	149,149	0	0	0	19,831	0	(19,831)	149,149
- Depreciation	340,511	4,031,428	629,106	12,811	243,397	285,187	(43,544)	5,498,896
- Impairment loss on loans and receivables	101,558	29,174	0	0	8,848	312,096	(312,096)	139,580
- Impairment loss on property, plant and equipment	0	0	0	0	0	0	300,000	300,000
- Inventories written down	67,547	0	0	0	0	0	0	67,547
- Other non-cash expenses	11,254	96,193	13,139	13,707	0	2,060,042	(2,056,035)	138,300
- Tax expense/(income)	311,837	1,521,941	0	(14,686)	420	126,006	(745,584)	1,199,934

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

28. 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
2013								
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

28. 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Malaysia	54,174,991	51,223,462	89,496,949	71,090,695
China	7,930,392	7,807,033	3,380,520	5,269,249
Singapore	15,873,018	19,401,833	453,505	379,549
United States of America	12,546,799	7,518,857	0	0
Other foreign countries	5,897,639	5,213,459	0	0
	<u>96,422,839</u>	<u>91,164,644</u>	<u>93,330,974</u>	<u>76,739,493</u>

Major Customer

The Group did not have any major customer that contributed 10% or more of its total revenue for the financial year ended 30 June 2013. For the financial year ended 30 June 2014, there was 1 major customer of the precision metal components segment that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM10,111,934.

29. CAPITAL COMMITMENT

The Group	2014 RM	2013 RM
Approved but not contracted:-		
- Property, plant and equipment	0	342,000
Contracted but not provided for:-		
- Property, plant and equipment	0	1,901,000
- Investment properties	<u>1,400,000</u>	<u>0</u>
	<u>1,400,000</u>	<u>2,243,000</u>

30. 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 (2013 : RM5,830,000). The total utilisation of these credit facilities as at 30 June 2014 amounted to approximately RM3,201,000 (2013 : RM3,526,000).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

31. 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 30.

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.

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 2014 RM	Increase/ (Decrease) in Profit 2013 RM
Appreciation of USD against RM by 5%	205,971	229,853
Depreciation of USD against RM by 5%	(205,971)	(229,853)
Appreciation of USD against RMB by 10%	60,455	27,847
Depreciation of USD against RMB by 10%	(60,455)	(27,847)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

31. FINANCIAL RISK MANAGEMENT (CONT'D)

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.

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		The Company	
	Increase/ (Decrease) in Profit 2014 RM	Increase/ (Decrease) in Profit 2013 RM	(Increase)/ Decrease in Loss 2014 RM	Increase/ (Decrease) in Profit 2013 RM
Increase in interest rates by 50 basis points	(58,419)	(11,076)	(47,842)	0
Decrease in interest rates by 50 basis points	58,419	11,076	47,842	0

32. 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		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total loans and borrowings	12,388,898	2,953,685	9,568,332	0
Total equity	129,910,419	120,004,775	80,804,062	82,785,658
Total capital	142,299,317	122,958,460	90,372,394	82,785,658
Debt-to-equity ratio	0.095 : 1	0.025 : 1	0.118 : 1	0.000 : 1

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

SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	64,111,638	52,261,067	11,931,673	13,913,269
- Unrealised	(1,117,902)	637,509	0	0
	62,993,736	52,898,576	11,931,673	13,913,269
Consolidation adjustments and eliminations	(5,876,799)	(4,610,043)	0	0
Total retained profits as per statement of financial position	57,116,937	48,288,533	11,931,673	13,913,269

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.

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STATISTICS OF SHAREHOLDINGS

AS AT 31 OCTOBER 2014

Authorized Share Capital	:	RM100,000,000
Issued and Paid Up Capital	:	RM68,080,750 (includes 728,200 treasury shares at RM1.00 each)
Class of Equity Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per shareholder on a show of hands or one vote per ordinary share on a poll

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	Shareholders		Shareholdings	
	Number	% [^]	Number	% [^]
Less than 500	676	16.21	58,960	0.09
500 - 5,000	2,771	66.46	5,552,617	8.24
5,001 - 10,000	358	8.59	2,736,538	4.06
10,001 - 100,000	328	7.87	7,927,698	11.78
100,001 - 1,000,000	29	0.70	7,974,365	11.84
1,000,001 - 3,367,626	5	0.12	12,930,465	19.19
3,367,627 and above	2	0.05	30,171,907	44.80
TOTAL	4,169	100.00	67,352,550	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% [^]	No. of Shares	% [^]
Kobay Holdings Sdn. Bhd.	17,523,007	26.02	—	—
Norinv Kapital Sdn. Bhd.	12,648,900	18.78	—	—
Dato' Koay Hean Eng	1,654,154	2.46	*17,523,007	26.02
Koay Cheng Lye	1,058,995	1.57	*17,523,007	26.02
Koay Ah Bah @ Koay Cheng Hock	884,665	1.31	*17,523,007	26.02

DIRECTORS' SHAREHOLDING IN THE COMPANY

Name of Directors	Direct Interest		Deemed Interest	
	No. of Shares	% [^]	No. of Shares	% [^]
Dato' Koay Hean Eng	1,654,154	2.46	*17,523,007	26.02
Koay Cheng Lye	1,058,995	1.57	*17,523,007	26.02
Koay Ah Bah @ Koay Cheng Hock	884,665	1.31	*17,523,007	26.02
Lim Swee Chuan	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
Khaw Eng Peng	—	—	—	—

Notes:-

* Deemed interest by virtue of the Directors' direct interest in Kobay Holdings Sdn. Bhd., a major shareholder of Kobay

[^] The percentage of shareholding is calculated based on 67,352,550 shares after deducting 728,200 treasury shares (retained by the Company as per Record of Depositors) from the fully issued and paid-up capital of the Company.

Dato' Koay Hean Eng, Koay Cheng Lye and Koay Ah Bah @ Koay Cheng Hock are deemed to have interest in the shares of all the subsidiary companies of Kobay Technology Bhd. ("Kobay") to the extent that Kobay has an interest, by virtue of their deemed interests in the shares of Kobay.

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 31 OCTOBER 2014

THIRTY (30) LARGEST SHAREHOLDERS (AS AT 31 OCTOBER 2014)

Name of Shareholders	No. of Shares Held	% Shareholding [^]
1. Kobay Holdings Sdn. Bhd.	17,523,007	26.02
2. Norinv Kapital Sdn. Bhd.	12,648,900	18.78
3. Premiergrow Capital Sdn. Bhd.	3,346,600	4.97
4. Inna Capital Sdn. Bhd.	3,346,416	4.97
5. Ch'ng Chuon Ghee	3,109,700	4.62
6. Koay Hean Eng	1,654,154	2.46
7. Ng Mun Fye	1,142,800	1.70
8. Koay Cheng Lye	1,058,995	1.57
9. Koay Ah Bah @ Koay Cheng Hock	884,665	1.31
10. Tan Lai Hock	714,600	1.06
11. CIMSEC Nominees (Tempatan) Sdn. Bhd. pledged securities account for Ting Swee Swee (Penang-CL)	620,900	0.92
12. Lai Chin Loy	533,700	0.79
13. Tan Jin Tuan	489,000	0.73
14. Wong Mei Kuan	470,000	0.70
15. Tee See Kim	250,000	0.37
16. Kong Food Kim	220,600	0.33
17. Liau Thai Min	215,200	0.32
18. Tan Soon Han	200,000	0.30
19. Ng Phaik Lean	198,000	0.30
20. Ariffin Bin Mohamed Isa	192,700	0.29
21. Neong Kok Hooi	190,000	0.28
22. Chan Foong Cheng	189,900	0.28
23. Wong Kie Yung	182,800	0.27
24. Tan Saw Ho	164,500	0.24
25. Sapiah Binti Abu	162,500	0.24
26. Lew Yok Kee	155,000	0.23
27. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tan Pek Hooi (471780)	145,000	0.22
28. Lee Eng Wooi	140,100	0.21
29. Tang Wing Kean	133,000	0.20
30. Maybank Nominees (Tempatan) Sdn. Bhd. Lim Yook Yuen	123,000	0.18
TOTAL :	50,405,737	74.84

Note:

[^] The percentage of shareholding is calculated based on 67,352,550 shares after deducting 728,200 treasury shares (retained by the Company as per Record of Depositors) from the fully issued and paid-up capital of the Company.

LIST OF PROPERTIES

AS AT 30 JUNE 2014

Location with Address	Description/Existing use	Land Area (Build-up Area)	Date of Acquisition	Tenure (Age of Building)	Net Book Value @ 30/6/14 (RM'000)
* PN5918, Lot 12383, Mukim 12, Daerah Barat Daya, Pulau Pinang Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Pulau Pinang	Single storey factory with an annexed two storey office block in front Existing use : Industrial use as factory premises	Approx. 130,652 sq. ft./ (85,007 sq. ft.)	01.07.1991	Leasehold for 60 years expiring on 26.12.2051/ (19 years)	7,883
PN4028, Lot 12461, Mukim 12, Daerah Barat Daya, Pulau Pinang Plot 83, Medan Bayan Lepas, Bayan Lepas Industrial Park, Phase 4, 11900 Pulau Pinang	Single storey factory building with an annexed two storey office block Existing use : Industrial use as factory premises	Approx. 87,599 sq. ft./ (53,840 sq. ft.)	24.06.1998	Leasehold for 60 years expiring on 17.01.2062/ (14 years)	6,973
HS(D) No. 38116, PT 1528 & HS(D) No. 47236, PT 1530, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang 2631, Lot 376 & 377, Lorong Perusahaan 10, Phase 3, Prai Industrial Estate, 13600 Pulau Pinang	Single storey factory building with an annexed single storey office block Existing use : Industrial use as factory premises	Approx. 118,099 sq. ft./ (80,427 sq. ft.)	20.05.1997	Leasehold for 60 years expiring on 07.08.2045/ (23 years)	6,217
HS(D) No. 42050, PT 5, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang 967, Jalan Perusahaan, Kawasan Perusahaan Perai, 13600 Pulau Pinang	Single storey factory building Existing use : Industrial use as factory premises	Approx. 22,500 sq. ft./ (20,000 sq. ft.)	19.09.1991	Leasehold for 99 years expiring on 21.01.2071/ (21 years)	779
HS(D) No. 11700, PT80020 Mukim of Hulu Kinta, District of Kinta, Perak Plot 19, Zon Perdagangan Bebas, Jelapang II, Jalan Jelapang, 30020 Ipoh, Perak	Single storey factory building Existing use : Vacant	Approx. 449,801 sq. ft./ (122,123 sq. ft.)	03.12.2007	Leasehold for 60 years expiring on 26.03.2051/ (23 years)	4,840
GRN459888, Lot No. 6348, GRN459887, Lot No. 6341, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor Lot 3611, Batu 30, Jalan Johor, 81500 Pekan Nenas, Johor	Single storey factory building Existing use : Industrial use as factory premises	Approx. 4.2209 hectares/ (25,630 sq. ft.)	09.06.2009	Freehold/ (3 year)	4,717
GRN24324, Lot No. 2628, Sek 4, Daerah Seberang Prai Utara, Butterworth, Pulau Pinang No 1, Lorong Bagan Luar 1, 12000 Butterworth, Pulau Pinang	8 storey hotel building Existing use : hotel	Approx. 4,305 sq. ft./ (36,822 sq. ft.)	06.01.2011	Freehold/ (32 years)	4,484

LIST OF PROPERTIES (CONT'D)

AS AT 30 JUNE 2014

Location with Address	Description/Existing use	Land Area (Build-up Area)	Date of Acquisition	Tenure (Age of Building)	Net Book Value @ 30/6/14 (RM'000)
GRN47092 Lot 34, GRN46881 Lot 35, GRN46882 Lot 36, GRN28204 Lot 249, GRN44961 Lot 251, GRN52732 Lot 990, GRN52733 Lot 992, GRN28217 Lot 993, GRN28218 Lot 995, GRN28219 Lot 996, HS (D) No.18014, PT 143 Bandar Tanjung Bungah, Daerah Timur Laut, Pulau Pinang	Land Existing use : Vacant	Approx. 67,336 sq. ft.	01.12.2009/ 25.02.2010/ 18.05.2011/ 29.02.2012	Freehold	13,420
GM102, Lot No. 2032, MK Kedawang, Pantai Tengah, Pulau Langkawi, Kedah	Land Existing use : vacant	Approx. 2.8059 hectares	07.10.2013	Freehold	14,530

Note:-

- * The property was revalued on 22 August 1996. The Group carried its leasehold land and buildings at revalued amounts and placed reliance on the transitional provision when Malaysian Accounting Standards Board first adopted International Accounting Standards 16 which provides exemption from the need to make regular revaluations for such properties.

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