

PERKARA
 Inilah Benda bukti bertanda..... "A"
 yang disebutkan didalam surat ikrar.....
 21 OCT 2014
 Diikrar pada

.....
 Nama: NACHATAR SINGH
 BHAG SINGH, PKT, PJK,
 Pengadil, Mahkamah Rendah, Pulau Pinang
 Pesuruhjaya Sumpah Pulau Pinang



KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
 Company No: 308279-A

FINANCIAL REPORT for the financial year ended 30 June 2014

CONTENTS

| | Page |
|--|-------|
| Directors' Report..... | 1-5 |
| Statement by Directors..... | 6 |
| Statutory Declaration..... | 6 |
| Independent Auditors' Report..... | 7-9 |
| Consolidated Statement of Financial Position..... | 10 |
| Consolidated Statement of Comprehensive Income..... | 11 |
| Consolidated Statement of Changes in Equity..... | 12-15 |
| Consolidated Statement of Cash Flows..... | 16-17 |
| Statement of Financial Position..... | 18 |
| Statement of Comprehensive Income..... | 19 |
| Statement of Changes in Equity..... | 20 |
| Statement of Cash Flows..... | 21 |
| Notes to the Financial Statements..... | 22-70 |
| Supplementary Information - Realised and Unrealised Profits or Losses..... | 71 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

DIRECTORS' REPORT

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.

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

DIRECTORS' REPORT

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 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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

DIRECTORS' REPORT

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 OCT 2014



Dato' Koay Hean Eng



Lim Swee Chuan

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

STATEMENT BY DIRECTORS

We, Dato' Koay Hean Eng and Lim Swee Chuan, being two of the directors of Kobay Technology Bhd., do hereby state that in the opinion of the directors, the financial statements set out on pages 10 to 70 give a true and fair view of the financial position of the Group and the Company as at 30 June 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 71 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 21 OCT 2014



Dato' Koay Hean Eng



Lim Swee Chuan

STATUTORY DECLARATION

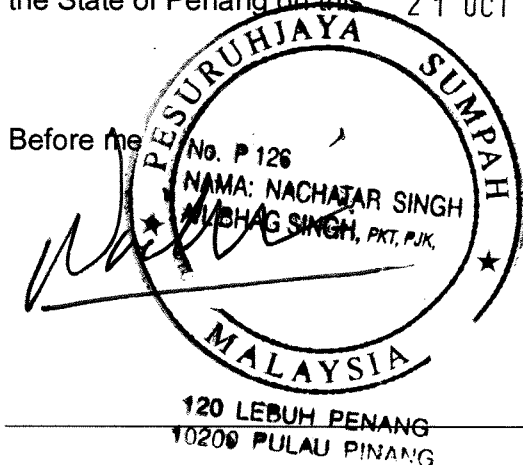
I, Lim Swee Chuan, being the director primarily responsible for the financial management of Kobay Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously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

Subscribed and solemnly declared by
Lim Swee Chuan at Georgetown in
the State of Penang on this 21 OCT 2014



Lim Swee Chuan

Before me



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

(Incorporated in Malaysia)
Company No: 308279-A

Report on the Financial Statements

We have audited the financial statements of Kobay Technology Bhd., which comprise the statements of financial position as at 30 June 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 10 to 70.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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

(Incorporated in Malaysia)
Company No: 308279-A

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

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

(Incorporated in Malaysia)
Company No: 308279-A

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 OCT 2014

Penang

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

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 |
| | | <u>93,448,174</u> | <u>76,739,493</u> |
| 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 |
| | | <u>72,319,594</u> | <u>66,707,802</u> |
| 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 |
| | | <u>21,049,792</u> | <u>17,376,071</u> |
| 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 |
| | | <u>14,807,557</u> | <u>6,066,449</u> |
| NET ASSETS | | <u>129,910,419</u> | <u>120,004,775</u> |
| 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 | | <u>129,148,086</u> | <u>118,327,338</u> |
| Non-controlling interests | 20 | 762,333 | 1,677,437 |
| TOTAL EQUITY | | <u>129,910,419</u> | <u>120,004,775</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

**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 | | <u>21,876,038</u> | <u>17,439,885</u> |
| 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 | <u>13,062,612</u> | <u>1,735,699</u> |
| Tax expense | 24 | (1,199,934) | (1,190,523) |
| Profit for the financial year | | <u>11,862,678</u> | <u>545,176</u> |
| 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 | | <u>443,416</u> | <u>534,884</u> |
| Total comprehensive income for the financial year | | <u>12,306,094</u> | <u>1,080,060</u> |
| Profit/(Loss) for the financial year attributable to:- | | | |
| - Owners of the Company | | 11,680,549 | (548,773) |
| - Non-controlling interests | 20 | <u>182,129</u> | <u>1,093,949</u> |
| | | <u>11,862,678</u> | <u>545,176</u> |
| Total comprehensive income for the financial year attributable to:- | | | |
| - Owners of the Company | | 12,059,079 | (330,557) |
| - Non-controlling interests | | <u>247,015</u> | <u>1,410,617</u> |
| | | <u>12,306,094</u> | <u>1,080,060</u> |
| Earnings/(Loss) per share:- | 25 | | |
| - Basic (sen) | | <u>17.34</u> | <u>(0.81)</u> |
| - Diluted (sen) | | <u>17.34</u> | <u>(0.81)</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

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 RM | Treasury shares RM | Share premium RM | Capital reserve RM | Fair value reserve RM | Currency translation reserve RM | Retained profits 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

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

| | Non-distributable | | | | | | Distributable | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|--|---------------------|-----------------------|---------------------|-----------------------|--------------------------|------------------------------------|------------------------|--|---------------------------|--------------------|
| | Share capital RM | Treasury shares RM | Share premium RM | Capital reserve RM | Fair value reserve RM | Currency translation reserve RM | Retained profits 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 | <u>68,080,750</u> | <u>(888,447)</u> | <u>1,680,086</u> | <u>203,734</u> | <u>0</u> | <u>962,682</u> | <u>48,288,533</u> | <u>118,327,338</u> | <u>1,677,437</u> | <u>120,004,775</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

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

| | Non-distributable | | | | | | Distributable | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|--|---------------------|-----------------------|---------------------|-----------------------|--------------------------|------------------------------------|------------------------|--|---------------------------|--------------|
| | Share capital RM | Treasury shares RM | Share premium RM | Capital reserve RM | Fair value reserve RM | Currency translation reserve RM | Retained profits 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

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

| | Non-distributable | | | | | | Distributable | | | |
|--|---------------------|-----------------------|---------------------|-----------------------|--------------------------|------------------------------------|------------------------|--|---------------------------------|--------------------|
| | Share capital RM | Treasury shares RM | Share premium RM | Capital reserve RM | Fair value reserve RM | Currency translation reserve RM | Retained profits RM | Equity attributable to owners of the Company RM | Non-controlling interests RM | Total equity RM |
| Balance brought forward | 68,080,750 | (888,447) | 1,680,086 | 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

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) |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (cont'd)

| | 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 | | <u>10,657,681</u> | <u>3,060,285</u> |
| 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 | <u>35,738,810</u> | <u>33,868,720</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

**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 |
| | | <u>43,356,419</u> | <u>50,386,137</u> |
| 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 |
| | | <u>48,320,595</u> | <u>33,727,118</u> |
| CURRENT LIABILITIES | | | |
| Payables | 14 | 1,304,620 | 1,327,597 |
| Loans and borrowings | 15 | 338,477 | 0 |
| | | <u>1,643,097</u> | <u>1,327,597</u> |
| NET CURRENT ASSETS | | 46,677,498 | 32,399,521 |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 15 | 9,229,855 | 0 |
| NET ASSETS | | <u>80,804,062</u> | <u>82,785,658</u> |
| 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 | | <u>80,804,062</u> | <u>82,785,658</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

**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 | <u>(615,832)</u> | <u>467,658</u> |
| Tax expense | 24 | (18,713) | (360,259) |
| (Loss)/Profit for the financial year | | <u>(634,545)</u> | <u>107,399</u> |
| 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 | | <u>0</u> | <u>(85,928)</u> |
| Total comprehensive income for the financial year | | <u>(634,545)</u> | <u>21,471</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

| | Share capital RM | Treasury shares RM | Non-distributable | | Distributable | Total equity RM |
|---|------------------------|--------------------------|------------------------|-----------------------------|---------------------------|-----------------------|
| | | | Share premium RM | Fair value reserve RM | Retained profits 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

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 | <u>23,665,251</u> | <u>20,865,152</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

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 10 to 17 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 18 to 21 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

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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

| FRS | Effective for annual periods beginning on or after |
|---|--|
| 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.

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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards (cont'd)

Financial Reporting Standards (cont'd)

| FRS (Issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|--|--|
| 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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards (cont'd)

Malaysian Financial Reporting Standards (cont'd)

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.

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, Plant and Equipment (cont'd)

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

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

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

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

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

2.10 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables, derivatives and cash and cash equivalents.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Assets (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Assets (cont'd)

Impairment

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

(i) Financial assets carried at amortised cost

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

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

(ii) Available-for-sale financial assets

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Foreign Currency Transactions and Translation (cont'd)

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

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

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

2.13 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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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).

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Employee Benefits (cont'd)

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.

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

4. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Land and buildings RM | Building improvement and renovation RM | Factory machinery, moulds and equipment RM | Furniture, fittings, office equipment and computer software RM | Tools and accessories RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|----------------------------------|-----------------------------|---|--|--|--------------------------------|-------------------------|---------------------------------------|--------------|
| <u>Cost/Valuation</u> | | | | | | | | |
| Balance at 1 July 2012 | 42,473,250 | 6,306,004 | 80,451,688 | 7,042,230 | 1,181,607 | 2,185,931 | 995,386 | 140,636,096 |
| Additions | 0 | 162,265 | 3,631,218 | 455,451 | 98,319 | 98,800 | 6,545,823 | 10,991,876 |
| Disposals/Write-offs | 0 | (43,154) | (2,139,204) | (377,089) | (56,779) | (70,417) | 0 | (2,686,643) |
| Reclassifications | 0 | 0 | 212,724 | 0 | 0 | 0 | (212,724) | 0 |
| Currency translation differences | 0 | 68,741 | 579,598 | 23,695 | 0 | 9,322 | 940 | 682,296 |
| Balance at 30 June 2013 | 42,473,250 | 6,493,856 | 82,736,024 | 7,144,287 | 1,223,147 | 2,223,636 | 7,329,425 | 149,623,625 |
| Representing:- | | | | | | | | |
| - Cost | 29,819,250 | 6,493,856 | 82,736,024 | 7,144,287 | 1,223,147 | 2,223,636 | 7,329,425 | 136,969,625 |
| - Valuation | 12,654,000 | 0 | 0 | 0 | 0 | 0 | 0 | 12,654,000 |
| | 42,473,250 | 6,493,856 | 82,736,024 | 7,144,287 | 1,223,147 | 2,223,636 | 7,329,425 | 149,623,625 |
| Balance at 1 July 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 |
| 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 |
| Representing:- | | | | | | | | |
| - 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

The Group

| | Land and buildings RM | Building improvement and renovation RM | Factory machinery, moulds and equipment RM | Furniture, fittings, office equipment and computer software RM | Tools and accessories RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|---|-----------------------------|---|--|--|--------------------------------|-------------------------|---------------------------------------|-------------|
| <u>Depreciation and Impairment Losses</u> | | | | | | | | |
| Balance at 1 July 2012 | | | | | | | | |
| Accumulated depreciation | 8,416,177 | 2,432,184 | 63,494,660 | 4,730,551 | 865,662 | 1,275,445 | 0 | 81,214,679 |
| Accumulated impairment losses | 0 | 0 | 715,538 | 102,978 | 28,946 | 14,243 | 127,220 | 988,925 |
| | 8,416,177 | 2,432,184 | 64,210,198 | 4,833,529 | 894,608 | 1,289,688 | 127,220 | 82,203,604 |
| Depreciation | 760,619 | 584,332 | 3,475,578 | 489,403 | 47,645 | 199,448 | 0 | 5,557,025 |
| Impairment loss | 0 | 147,314 | 163,769 | 156,377 | 57,711 | 39,393 | 0 | 564,564 |
| Disposals/Write-offs | 0 | (5,358) | (1,987,923) | (290,795) | (38,934) | (28,058) | 0 | (2,351,068) |
| Currency translation differences | 0 | 53,040 | 308,449 | 14,661 | 0 | 1,861 | 0 | 378,011 |
| Balance at 30 June 2013 | | | | | | | | |
| Accumulated depreciation | 9,176,796 | 3,064,198 | 65,334,589 | 4,949,490 | 878,502 | 1,462,939 | 0 | 84,866,514 |
| Accumulated impairment losses | 0 | 147,314 | 835,482 | 253,685 | 82,528 | 39,393 | 127,220 | 1,485,622 |
| | 9,176,796 | 3,211,512 | 66,170,071 | 5,203,175 | 961,030 | 1,502,332 | 127,220 | 86,352,136 |
| 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 | | | | | | | | |
| Accumulated depreciation | 9,143,024 | 3,263,857 | 64,430,721 | 4,829,526 | 813,881 | 1,573,252 | 0 | 84,054,261 |
| Accumulated impairment losses | 0 | 0 | 904,252 | 100,846 | 79,030 | 34,332 | 127,220 | 1,245,680 |
| | 9,143,024 | 3,263,857 | 65,334,973 | 4,930,372 | 892,911 | 1,607,584 | 127,220 | 85,299,941 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

The Group

| | Land and buildings RM | Building improvement and renovation RM | Factory machinery, moulds and equipment RM | Furniture, fittings, office equipment and computer software RM | Tools and accessories RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|-------------------------|-----------------------------|---|--|--|--------------------------------|-------------------------|---------------------------------------|-------------|
| <u>Carrying Amount</u> | | | | | | | | |
| Balance at 1 July 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 |
| <u>Representing:-</u> | | | | | |
| - 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 |
| <u>Representing:-</u> | | | | | |
| - 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 |
| | <u>28,513,244</u> | <u>25,620,784</u> |

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 |
| | <u>6,972,932</u> | <u>0</u> |

The Company

| | Renovation RM | Furniture, fittings and office equipment RM | Tools and accessories RM | Motor vehicles RM | Total RM |
|-------------------------|------------------|---|-----------------------------------|-------------------------|-------------|
| <u>Cost</u> | | | | | |
| Balance at 1 July 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

The Company

| | Renovation RM | Furniture, fittings and office equipment RM | Tools and accessories RM | Motor vehicles RM | Total RM |
|---------------------------------|------------------|---|-----------------------------------|-------------------------|-------------|
| <u>Accumulated Depreciation</u> | | | | | |
| 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 |
| <u>Carrying Amount</u> | | | | | |
| 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 |

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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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) |
| | <u>43,155,938</u> | <u>50,136,303</u> |

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 |
| 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 TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 | |
| <u>Subsidiaries of Lipo Corporation Sdn. Bhd.</u> | | | | |
| 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 | <u>117,200</u> | <u>0</u> |

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 |
| | <u>11,376,526</u> | <u>10,254,959</u> |

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 |
| | <u>20,112,916</u> | <u>19,609,152</u> | <u>24,537,144</u> | <u>11,716,918</u> |

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 |
| | <u>20,112,916</u> | <u>19,609,152</u> | <u>24,537,144</u> | <u>11,716,918</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. RECEIVABLES (cont'd)

Trade Receivables (cont'd)

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> |

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 | <u>2,008,848</u> | <u>3,407,348</u> |

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

Subsidiaries

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand except for an amount of RM1,184,979 as at 30 June 2013 which bore interest at 5.25% per annum.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. RECEIVABLES (cont'd)

Subsidiaries (cont'd)

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 | <u>544,742</u> | <u>2,994,858</u> |

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

Other Receivables

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

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 | <u>100,692</u> | <u>56,572</u> | <u>1,572</u> | <u>56,572</u> |

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

| | 2014 RM | 2013 RM |
|---|------------|---------------|
| Derivatives classified as held for trading, at fair value | <u>0</u> | <u>38,500</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

13. CASH AND CASH EQUIVALENTS (cont'd)

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.

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

| | The Group | | The Company | |
|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>36,157,323</u> | <u>34,287,059</u> | <u>23,673,251</u> | <u>20,873,152</u> |

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 RM | 2013 RM | 2014 RM | 2013 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) |
| | <u>35,738,810</u> | <u>33,868,720</u> | <u>23,665,251</u> | <u>20,865,152</u> |

14. PAYABLES

| | The Group | | The Company | |
|--------------------------------|-------------------|-------------------|------------------|------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>18,097,481</u> | <u>15,767,278</u> | <u>1,304,620</u> | <u>1,327,597</u> |

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

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

14. PAYABLES (cont'd)

The currency profile of payables is as follows:-

| | The Group | | The Company | |
|------------------|-------------------|-------------------|------------------|------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>18,097,481</u> | <u>15,767,278</u> | <u>1,304,620</u> | <u>1,327,597</u> |

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

Trade Payables

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

Subsidiaries

The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable on demand 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 RM | 2013 RM | 2014 RM | 2013 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> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

15. LOANS AND BORROWINGS (cont'd)

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.

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

| | The Group | | The Company | |
|---|-------------------|------------------|------------------|------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>12,388,898</u> | <u>2,953,685</u> | <u>9,568,332</u> | <u>0</u> |

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

16. DEFERRED TAX LIABILITIES

The Group

| | 2014 RM | 2013 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 | <u>3,655,936</u> | <u>3,711,277</u> |
| In respect of taxable/(deductible) temporary differences of:- | | |
| - Property, plant and equipment | 3,680,936 | 3,672,277 |
| - Financial instruments | (25,000) | 39,000 |
| | <u>3,655,936</u> | <u>3,711,277</u> |

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 RM | 2013 RM | 2014 RM | 2013 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> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

17. DEFERRED INCOME ON GOVERNMENT GRANTS

The Group

| | 2014 RM | 2013 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 RM | 2013 RM |
|--|--------------------|--------------------|
| Authorised:- | | |
| 100,000,000 ordinary shares of RM1.00 each | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid-up:- | | |
| 68,080,750 ordinary shares of RM1.00 each | <u>68,080,750</u> | <u>68,080,750</u> |

Purchase of Own Shares

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

| | 2014 | | 2013 | |
|---------------------------|---------------------|----------------|---------------------|----------------|
| | Number of Shares | RM | Number of Shares | RM |
| Balance at 1 July/30 June | <u>728,200</u> | <u>888,447</u> | <u>728,200</u> | <u>888,447</u> |

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 |
| | <u>1,753,734</u> | <u>203,734</u> |

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 |
| | <u>762,333</u> | <u>1,677,437</u> | <u>182,129</u> | <u>1,093,949</u> |

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

| Name of Subsidiary | Principal Place of Business/ Country of Incorporation | Effective Ownership Interest Held by NCI | | 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

20. NON-CONTROLLING INTERESTS ("NCI") (cont'd)

| Name of Subsidiary | Principal Place of Business/ Country of Incorporation | Effective Ownership Interest Held by NCI | | Principal Activity |
|--|--|--|--------|---|
| | | 2014 | 2013 | |
| <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> |

21. REVENUE

| | The Group | | The Company | |
|-----------------------|-------------------|-------------------|------------------|------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>96,422,839</u> | <u>91,164,644</u> | <u>1,976,183</u> | <u>3,680,680</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

22. PROFIT/(LOSS) BEFORE TAX

| | The Group | | The Company | |
|---|------------|------------|-------------|------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| 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 |

^(a) Included in administrative and general expenses

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

22. PROFIT/(LOSS) BEFORE TAX (cont'd)

| | The Group | | The Company | |
|---|------------|------------|-------------|------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| 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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

23. EMPLOYEE BENEFITS EXPENSE

| | The Group | | The Company | |
|------------------------------|-------------------|-------------------|------------------|------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>29,129,732</u> | <u>26,809,160</u> | <u>3,218,133</u> | <u>2,376,214</u> |

24. TAX EXPENSE

| | The Group | | The Company | |
|---|------------------|------------------|---------------|----------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 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 |
| | <u>1,797,458</u> | <u>1,294,552</u> | <u>0</u> | <u>353,000</u> |
| 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 |
| | <u>1,199,934</u> | <u>1,190,523</u> | <u>18,713</u> | <u>360,259</u> |

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

| | The Group | | The Company | |
|---|--------------|--------------|-------------|--------------|
| | 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 | <u>13.76</u> | <u>74.58</u> | <u>0.00</u> | <u>75.48</u> |

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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) | <u>11,680,549</u> | <u>(548,773)</u> |
| Weighted average number of shares in issue | <u>67,352,550</u> | <u>67,352,550</u> |
| Basic earnings/(loss) per share (sen) | <u>17.34</u> | <u>(0.81)</u> |

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.

26. DIVIDEND

The Group and the Company

| | 2014 RM | 2013 RM |
|--|------------------|------------|
| Final tax exempt dividend of 2 sen per share in respect of the financial year ended 30 June 2013 | <u>1,347,051</u> | <u>0</u> |

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 |
| | <u>1,625,328</u> | <u>1,780,851</u> | <u>1,035,341</u> | <u>833,875</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

27. RELATED PARTY DISCLOSURES (cont'd)

| | The Group | | The Company | |
|---|------------|------------|-------------|------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| 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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 |
|--|--|-------------------------------------|-------------------------|-------------------------------|-----------------------------------|--|--|-------------|
| <u>2014</u> | | | | | | | | |
| 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 |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 | 1,400,000 | 0 |
| | <u>1,400,000</u> | <u>2,243,000</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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.

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

31. FINANCIAL RISK MANAGEMENT (cont'd)

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% | <u>(60,455)</u> | <u>(27,847)</u> |

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS 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 | <u>58,419</u> | <u>11,076</u> | <u>47,842</u> | <u>0</u> |

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.

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

32. CAPITAL MANAGEMENT (cont'd)

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 | <u>129,910,419</u> | <u>120,004,775</u> | <u>80,804,062</u> | <u>82,785,658</u> |
| Total capital | <u>142,299,317</u> | <u>122,958,460</u> | <u>90,372,394</u> | <u>82,785,658</u> |
| Debt-to-equity ratio | <u>0.095 : 1</u> | <u>0.025 : 1</u> | <u>0.118 : 1</u> | <u>0.000 : 1</u> |

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

Company No: 308279-A

SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

| | The Group | | The Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | 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 |
| | <u>62,993,736</u> | <u>52,898,576</u> | <u>11,931,673</u> | <u>13,913,269</u> |
| Consolidation adjustments and eliminations | (5,876,799) | (4,610,043) | 0 | 0 |
| Total retained profits as per statement of financial position | <u>57,116,937</u> | <u>48,288,533</u> | <u>11,931,673</u> | <u>13,913,269</u> |

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