

ANNUAL REPORT  
2016



*Nurturing Potentials.  
Sustaining the Future.*



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

**A**gility  
**C**an-Do attitude  
**T**eamwork  
**I**nitiative and accountability  
**O**wnership and pride  
**N**ever stop learning  
**S**peed of response

## OUR VISION

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

## OUR MISSION

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

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

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

## OUR VALUES & BELIEFS

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

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## CORPORATE INFORMATION

### Board of Directors

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

Koay Cheng Lye  
*Executive Director / Chief Administrative Officer*

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

### Audit and Risk Management Committee

Khaw Eng Peng  
*Chairman*

Koay Ah Bah @ Koay Cheng Hock  
*Member*

### Nominating Committee

Khaw Eng Peng  
*Chairman*

Koay Ah Bah @ Koay Cheng Hock  
*Member*

### Remuneration Committee

Dato' Koay Hean Eng  
*Chairman*

Khaw Eng Peng  
*Member*

### Secretaries

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

### Registered Office

3<sup>rd</sup> Floor, Wisma Kobay,  
42-B Jalan Rangoon,  
10400 Georgetown,  
Penang.  
Tel : (04) 3711338  
Fax : (04) 2261363  
Email : cosec@kobaytech.com

### Website

www.kobaytech.com

### Auditors

Crowe Horwath  
Chartered Accountants  
Level 6, Wisma Penang Garden,  
42, Jalan Sultan Ahmad Shah,  
10050 Penang.  
Tel : (04) 2277061  
Fax : (04) 2278011

Dato' Koay Hean Eng  
*Managing Director / Chief Executive Officer*

Lim Swee Chuan  
*Executive Director / Chief Financial Officer*

Khaw Eng Peng  
*Senior Independent and Non-executive Director*

Dr. Mohamad Zabdi Bin Zamrod  
*Member*

Dr. Mohamad Zabdi Bin Zamrod  
*Member*

Dr. Mohamad Zabdi Bin Zamrod  
*Member*

Wong Mee Choon (MACS 01562)

### Registrar

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

### Bankers

Malayan Banking Berhad  
Public Bank Berhad  
Alliance Bank Malaysia Berhad  
Hong Leong Bank Berhad

### Stock Exchange Listing

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

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second (22nd) Annual General Meeting ("AGM") of Kobay Technology Bhd. will be held at 4th Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang on Wednesday, 14 December 2016 at 2.30 p.m. for the following purposes : -

### ORDINARY BUSINESS

- |    |  |              |
|----|--|--------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2016 and the Reports of the Directors and Auditors thereon.   |              |
| 2. | To re-appoint Dr. Mohamad Zabdi Bin Zamrod as Company Director, who has attained age over seventy years old pursuant to Section 129(6) of the Companies Act 1965 and to retain him as Independent and Non-executive Director in accordance with Malaysian Code of Corporate Governance 2012. | Resolution 1 |
| 3. | To re-appoint Mr. Koay Ah Bah @ Koay Cheng Hock as Company Director, who has attained age over seventy years old pursuant to Section 129(6) of the Companies Act 1965.   | Resolution 2 |
| 4. | To re-elect Dato' Koay Hean Eng as Company Director, who retires in accordance with Article 95 of the Company's Articles of Association.   | Resolution 3 |
| 5. | To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration.   | Resolution 4 |

### SPECIAL BUSINESS

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

- |    |   |              |
|----|---|--------------|
| 6. | <b>ORDINARY RESOLUTION</b><br><b>PAYMENT OF DIRECTORS' FEES</b><br>"THAT the payment of Directors' fees totaling Ringgit Malaysia Fifteen Thousand (RM15,000) only to the Non-executive Directors for the financial year ended 30 June 2016 be and is hereby approved."   | Resolution 5 |
| 7. | <b>ORDINARY RESOLUTION</b><br><b>AUTHORITY TO ISSUE SHARES IN ACCORDANCE TO SECTION 132D OF THE COMPANIES ACT, 1965</b><br>"THAT subject always to the Companies Act, 1965 ("the Act") and the approvals from the relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Act, to issue and allot shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit PROVIDED THAT the aggregate number of shares to be issued (inclusive employee share option scheme exercised by the employees, if any) pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company"              | Resolution 6 |
| 8. | <b>ORDINARY RESOLUTION</b><br><b>PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY</b><br>"THAT subject to the compliance by the Company with all applicable laws, regulations and guidelines pursuant to the Act, the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Securities and the approvals of all relevant authorities, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares of RM1.00 each in the Company ("shares") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company PROVIDED THAT the maximum number of shares purchased and/or held pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company at any given point in time and that the maximum amount of fund allocated by the Company for the purpose of purchasing the shares shall not exceed the retained profits and/or the share premium accounts of the Company. | Resolution 7 |

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

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 8. ORDINARY RESOLUTION

Resolution 7

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

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

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

whichever occurs first.

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

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

BY ORDER OF THE BOARD

CHAN MUN SHEE (MAICSA 7003071)

WONG MEE CHOON (MACS 01562)

Company Secretaries

Penang, 28 October 2016

### **NOTES :**

1. A proxy may but need not be a member or a qualified legal practitioner, or an approved company auditor or a person approved by the Registrar and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, this form, duly completed must be deposited with the registered office of the Company, at 3<sup>rd</sup> Floor, Wisma Kobay, No. 42-B Jalan Rangoon, 10400 Georgetown, Penang not less than forty eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation this form must be executed under the corporation's common seal, or under the hand of an officer or attorney duly authorized.
6. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 5 December 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

### **EXPLANATORY NOTES :**

#### Resolution 1

Dr. Mohamad Zabdi Bin Zamrod who has attained the age above 70 years old last year has been re-appointed as Director of the Company under Section 129(6) of the Companies Act, 1965 and his tenure of service shall be ended in the forthcoming AGM. In accordance with Malaysian Code of Corporate Governance 2012, the Nominating Committee has assessed the independency of Dr. Mohamad Zabdi Bin Zamrod, who has served as Independent and Non-executive Director for a cumulative term of more than 9 years, and recommended to Board of Directors to retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director whereby the Board recommends and proposes to the shareholders' approval to retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director of the Company on the following justifications : -

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### EXPLANATORY NOTES : (CONT'D)

#### Resolution 1 (cont'd)

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

#### Resolution 2

Mr. Koay Ah Bah @ Koay Cheng Hock who has attained the age above 70 years old prior to the date of this meeting under Section 129(6) of the Companies Act, 1965 and his tenure of service shall be ended in the forthcoming AGM. Mr. Koay has offered himself to be re-appointed and the Nominating Committee has assessed his performance and was in the opinion that his experience in property development is vital to the Company's property development venture at this infant stage. If re-appointed, his term of service will be expire in the next AGM.

#### Resolution 5

The proposed Ordinary Resolution under item 6 is to obtain shareholders' approval for the payment of Directors' fees totalling Ringgit Malaysia Fifteen Thousand (RM15,000) only to the three (3) Non-executive Directors for the financial year ended 30 June 2016 as required under Article 103 of the Company's Articles of Association.

#### Resolution 6

A mandate was sought and approved by the members during the Twenty-First (21<sup>st</sup>) AGM held on 9 December 2015. No new shares were issued and no proceeds were raised from the previous mandate.

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

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

#### Resolution 7

The proposed Ordinary Resolution under item 8 is of renewal and if passed, will allow the Company to purchase up to ten per cent (10%) of the total issued and paid-up share capital of the Company, excluding treasury shares retained by the Company at any given point in time. This authority unless revoked or varied at the general meeting, will expire at the next AGM. The details of this proposal are set out in the Statement to Shareholders dated 28 October 2016.

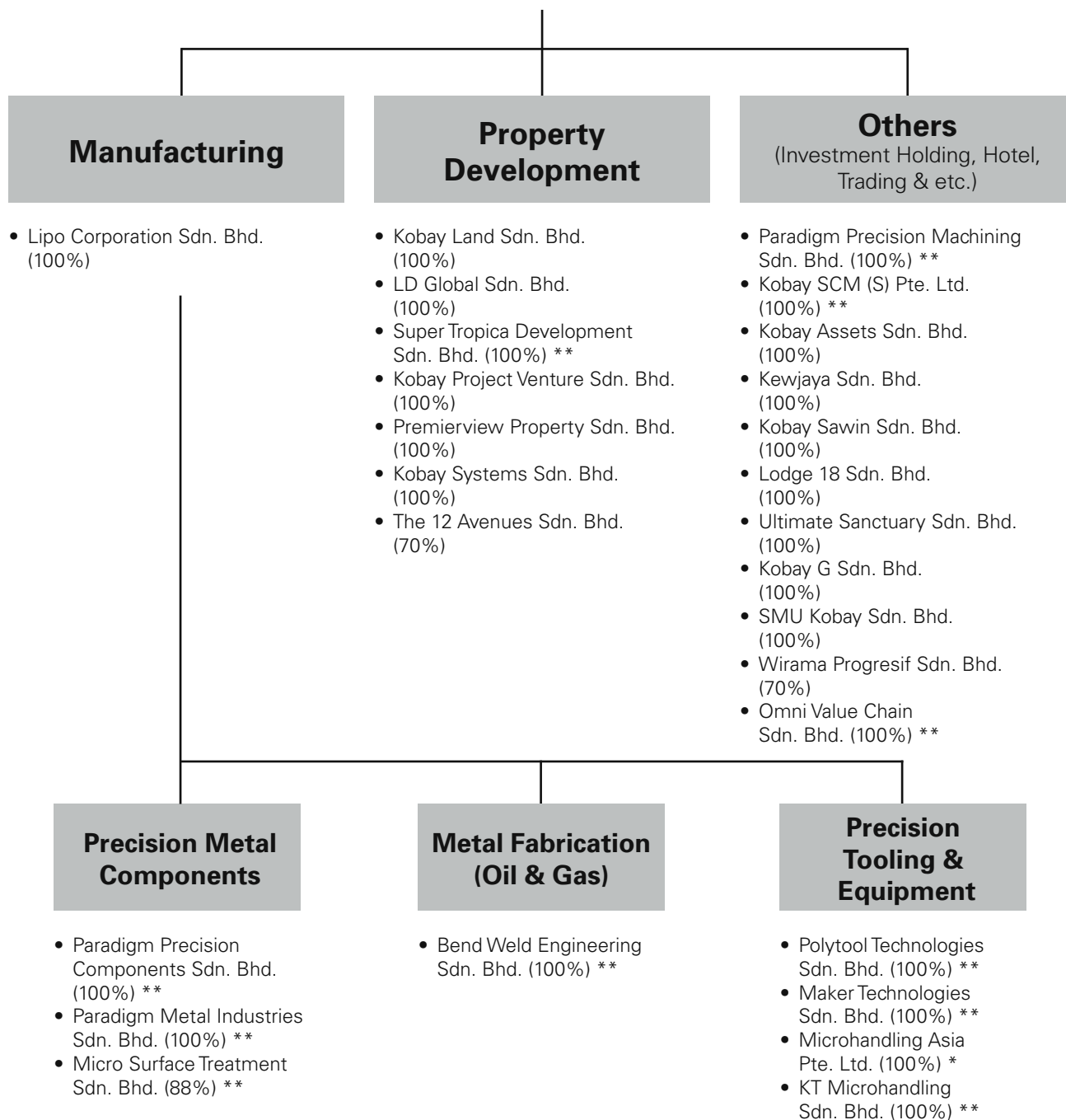
### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The profile of the Directors who are standing for re-appointment and re-election (as per Resolution 1-3 as stated in the Notice of Annual General Meeting) at the Twenty-Second (22nd) Annual General Meeting of Kobay Technology Bhd. which will be held at 4th Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang on Wednesday, 14 December 2016 at 2.30 p.m., are stated on page 7 & 8 of the Annual Report 2016.

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

# CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2016



Notes : -

\* Subsidiary of Kobay SCM (S) Pte. Ltd.

\*\* Subsidiary of Lipo Corporation Sdn. Bhd.



## BOARD OF DIRECTORS

### **Dr. Mohamad Zabdi Bin Zamrod**

*Male, Malaysian – aged 74*

*Chairman/Independent and Non-executive Director/Member of Audit and Risk Management Committee, Remuneration Committee and Nominating Committee*

Dr. Mohamad Zabdi bin Zamrod holds a Doctorate in Curriculum and Teaching from the Columbia University, New York. Since graduated, he had been specialized in education field and was a lecturer in Universiti Sains Malaysia.

Dr. Mohamad Zabdi has been appointed as member of the Board on 30 March 2002. He always emphasize in compliance with rules and regulations. During his service tenure as Board's Chairman, he guided and fostering a culture of compliance and governance in the Group.

Pursuant to section 129(6) of the Companies Act, Dr. Mohamad Zabdi who has attained age seventy years old as well as in compliance with Malaysia Code of Corporate Governance 2012 for his post as Independent Director, Dr. Mohamad Zabdi has offered to be re-appointed as Independent Non-executive Director of the Company and after due consideration, both by the Nominating Committee and the Board of Directors, for which Dr. Mohamad Zabdi had abstained in voting, proposed Dr. Mohamad Zabdi's reappointment for the consideration of the members in the forthcoming Annual General Meeting.

Dr. Mohamad Zabdi does not hold any shares of the Company as of 30 September 2016.

### **Dato' Koay Hean Eng**

*Male, Malaysian – aged 58*

*Chief Executive Officer/Member of Executive Committee and Chairman of Remuneration Committee*

As a co-founder to Kobay Group, Dato' Koay Hean Eng holds a certificate of vocational education. He has involved himself in high precision engineering industry for more than 40 years with experience ranging from tool, die and mold making to semi-automated machines. He has also possessed more than 25 years of property development experience where he has participated and completed numerous property projects ranging from medium cost residential to high end condominium and commercial properties in Penang and Kuala Lumpur.

He was appointed to Kobay's Board on 17 September 1994 and thereafter he drove Kobay to be a public listed company. His passion in high precision engineering industry has contributed significantly to the growth of Kobay Group, and has turned the Group from small yard companies to public listed company.

With his vast experience in property development projects, he contributes extensively in the Group's diversification into property development since year 2013.

As of 30 September 2016, Dato' Koay has direct shareholding of 1,654,154 ordinary shares and indirect shareholding of 17,523,007 ordinary shares via Kobay Holding Sdn. Bhd., the major shareholder of the Company, by virtue of his substantial direct interest in Kobay Holding Sdn. Bhd..

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

### **Koay Cheng Lye**

*Male, Malaysian – aged 68*

*Chief Administrative Officer/Member of Executive Committee*

As a co-founder of Kobay Group, Mr. Koay Cheng Lye who has studied in National Taiwan University in Mathematics possessed more than 30 years of experience in high precision engineering industry. He was appointed to the Board prior to the floatation exercise of the Company on 17 September 1994 and also sits on the Board of all the subsidiaries within the Group. He has an in depth knowledge of the overall Kobay Group's operations.

Aside from his experience in high precision engineering industry, Mr. Koay Cheng Lye has also possessed more than 25 years of property development industries related knowledges and experience.

As of 30 September 2016, Mr. Koay has direct shareholding of 1,058,995 ordinary shares in the Company and indirect shareholdings of 17,523,007 ordinary shares, via Kobay Holding Sdn. Bhd., a major shareholder of the Company by virtue of his direct shareholding in Kobay Holding Sdn. Bhd..

## BOARD OF DIRECTORS (CONT'D)

### **Koay Ah Bah @ Koay Cheng Hock**

*Male, Malaysian – aged 70*

*Non-independent and Non-executive Director/Member of Nominating Committee and Audit and Risk Management Committee*

Mr. Koay Ah Bah @ Koay Cheng Hock was appointed to the Board on 25 January 1999. He possessed more than 30 years of experience in mechanical engineering field through operating owned mechanical repair shop with a primary education background. He also possessed more than 15 years of experience in property development industries and has completed numerous projects ranging from medium cost apartment to high end condominium in Penang and Kuala Lumpur.

As of 30 September 2016, Mr. Koay has direct shareholding of 884,665 ordinary shares in the Company and indirect shareholdings of 17,523,007 ordinary shares, via Kobay Holding Sdn. Bhd., a major shareholder of the Company by virtue of his direct shareholding in Kobay Holding Sdn. Bhd.. He also has indirect interest in 634,500 ordinary shares of the Company held by his sons, persons connected under Section 122A of the Companies Act, 1965.

### **Lim Swee Chuan**

*Male, Malaysian – aged 50*

*Chief Financial Officer/Member of Executive Committee*

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

After six years of services, he was appointed to the Board on 29 November 2001 and presently he is the Chief Financial Officer of Kobay Group. He oversees the Group's corporate finance and accounting functions and he also holds directorship in subsidiary companies.

Mr. Lim Swee Chuan has no direct/indirect shareholding in Kobay as of 30 September 2016.

### **Khaw Eng Peng**

*Male, Malaysian – aged 49*

*Senior Independent and Non-executive Director/Chairman of Audit and Risk Management Committee/Chairman of Nominating Committee and Member of the Remuneration Committee*

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

Mr. Khaw was appointed to the Board of Kobay on 30 July 2010. On 13 October 2014, he was re-designated as Senior Independent Non-executive Director, appointed as Chairman of Audit and Risk Management Committee, Chairman of the Nominating Committee and member of Remuneration Committee.

Mr. Khaw Eng Peng has no direct/indirect shareholding in Kobay as of 30 September 2016.

## **KEY SENIOR MANAGEMENT**

### **Koay Wooi Tatt**

*Male, Malaysian – aged 39*

*Chief Operating Officer*

He was appointed as Chief Operating Officer of Kobay on 10 October 2016 taking charge of the entire operations for the manufacturing division.

He graduated with Diploma in Mechanical Engineering from German Malaysian Institute in 1999. He has worked with Hup Fatt Brothers Sdn. Bhd. as Design Engineer prior to his appointment in 2 May 2003 as Functional Manager in Paradigm Metal Industries Sdn. Bhd. ("PMI"), a subsidiary of Kobay. In year 2004, he was promoted to General Manager of PMI. He has in-depth experience in the entire manufacturing division of Kobay Group with his job rotation from sheet metal to precision machining and components, then to precision engineering and automated equipments. His working experience within Kobay Group has provided him an in-depth knowledge of the Group's operation systems and procedures.

Save as his directorship in the three (3) subsidiary companies of the manufacturing division, he has no directorship in any public companies and Kobay.

## BOARD OF DIRECTORS (CONT'D)

### OTHER INFORMATION

#### Family Relationship

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

Save for the above, none of the Directors and key senior management has any family relationship with other Directors or major shareholders of the Company.

#### Conflict of Interest

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

#### Conviction for Offences

None of the Company's Directors and key senior management had convicted any offence (other than traffic offences, if any) within the past five (5) years.

#### Number of board meetings attended in the financial year ended 30 June 2016

Four (4) board meetings were held during the financial year ended 30 June 2016. Details of attendance of Directors at the board meetings are as follows:

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

#### Directors' and Major Shareholders' Interests

Name	No. of shares held in Kobay as at 30.09.2016			
	No. of ordinary shares of RM1.00 each	% ^	No. of ordinary shares of RM1.00 each	% ^
<b>Directors</b>				
Dato' Koay Hean Eng	1,654,154	2.44	*17,523,007	25.81
Koay Cheng Lye	1,058,995	1.56	*17,523,007	25.81
Koay Ah Bah @ Koay Cheng Hock	884,665	1.30	*17,523,007	25.81
			**634,500	0.93
Lim Swee Chuan	—	—	—	—
Khaw Eng Peng	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
<b>Major Shareholders</b>				
Kobay Holdings Sdn. Bhd. ("KHSB")	17,523,007	25.81	—	—
Norinv Kapital Sdn. Bhd.	13,269,800	19.54	—	—
Dato' Koay Hean Eng	1,654,154	2.44	*17,523,007	25.81
Koay Cheng Lye	1,058,995	1.56	*17,523,007	25.81
Koay Ah Bah @ Koay Cheng Hock	884,665	1.30	*17,523,007	25.81
			**634,500	0.93

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

#### Notes : -

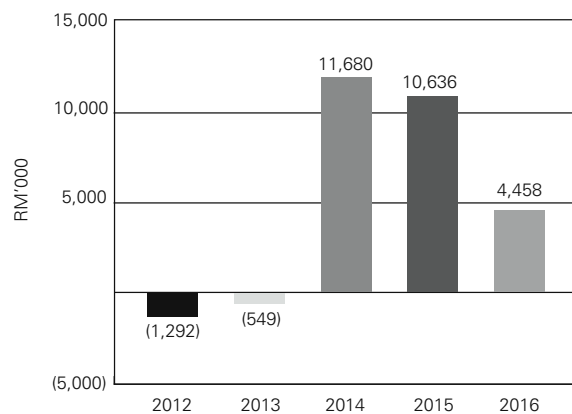
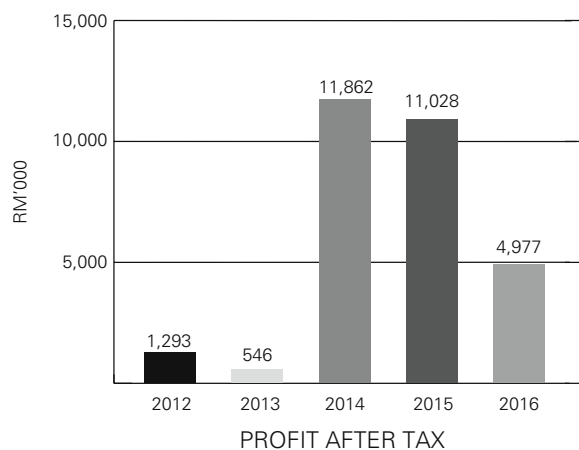
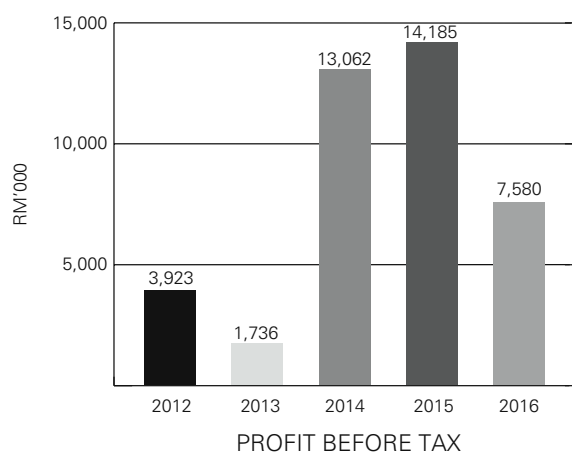
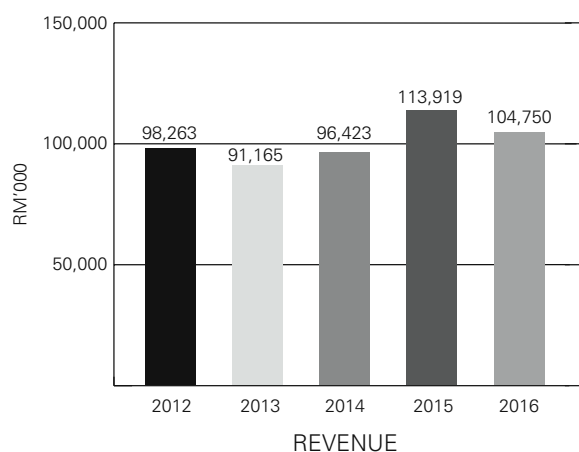
\* Deemed interest by virtue of the Directors' direct interest in KHSB, a major shareholder of the Company

\*\* Deemed interest by virtue of the shares held by the person connected to the Director of the Company.

^ The percentage of shareholding is calculated based on 67,899,250 ordinary shares after deducting 181,500 treasury shares (retained by the Company as per Record of Depositors) from the fully issued and paid-up capital of the Company of RM68,080,750 consisting of 68,080,750 ordinary shares of RM1 each.

## GROUP FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Statement of Comprehensive Income</b>					
Revenue	98,263	91,165	96,423	113,919	104,750
Profit before tax	3,923	1,736	13,062	14,185	7,580
Profit after tax	1,293	546	11,862	11,028	4,977
Net profit/(loss) attributable to equity holders	(1,292)	(549)	11,680	10,636	4,458
<b>Statement of Financial Position</b>					
Total Assets	170,226	143,447	165,768	172,607	182,255
Total Borrowing	213	2,954	12,389	10,744	11,424
Equity attributable to owners of the Company	109,205	118,327	129,148	136,462	140,325
<b>Financial Indicators</b>					
Earning/(Loss) per share (sen)	(1.92)	(0.81)	17.34	15.79	6.57
Gearing ratio (%)	0.14	2.46	9.54	7.81	8.05
Net assets per share (RM)	1.62	1.76	1.92	2.03	2.06
Tax exempt dividend per share (sen)	–	2.00	3.00	3.00	–
Share price as at the financial year end (RM)	0.84	0.64	1.20	1.18	1.23
Price Earning (PE) ratio as at financial year end (times)	–	–	6.92	7.47	18.72



NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Kobay Technology Bhd. and its subsidiaries ("the Group") for financial year ended 30 June 2016.

### BUSINESS OVERVIEW

During the financial year under review, global business environment continued facing with turbulences. In January 2016, International Monetary Fund in its World Economic Outlook Update has cut its forecast 2016 global growth for the third time in less than a year to 3.4%, citing sharp slowdown in China trade and weak commodity prices. In Malaysia, the government has also made revision in its budget in January 2016 in view of falling oil prices, trimming down growth forecast to 4% - 4.5% from earlier 4% - 5%.

The Group's businesses have been affected by subdued global economic growth and uncertainties in global and domestic markets.

For the financial year ended 30 June 2016, the Group recorded a lower profit of RM4.9 million as compared to last year's RM11.0 million. Although the Group's core business, Precision Metal Components Division managed to achieve higher profit compared to last year, the Metal Fabrication Division that dealt with oil and gas industry had encountered major set-back in tandem with the downturn in the industry. In addition, the Group's property development business that is still at infant stage had incurred higher operating costs and loss. Besides, the Group suffered an impairment loss of RM3.4 million as a result of full provision made for a defaulted stakeholder sum of which the solicitor stakeholder is currently under legal proceeding.

### CORPORATE DEVELOPMENT

An internal group reorganization has been undertaken via inter-companies' disposal of the entire interest in four wholly-owned subsidiaries to Lipo Corporation Sdn. Bhd. ("Lipo"), a wholly-owned subsidiary, to streamline all its manufacturing activities under the same portfolio for better managing and control. Subsequent to the financial year end, the Group has acquired the remaining equity interest in our Singapore subsidiaries to wholly-own the said subsidiaries and consolidate the operations into Lipo as well.

### OUTLOOK AND PROSPECT

We are anticipating a tough business environment ahead. The Group will continue to leverage on Precision Metal Components Division for growth and at the same time, to maintain sustainability in Metal Fabrication and Precision Tooling & Equipment Divisions while awaiting market upturn and recovery of capital expenditures in the industries.

For the Property Development Division, we are anticipating the start of construction work in quarter ending December 2016 for the Langkawi Project, Lavanya Residence. In view of the weak property market outlook, we will observe prudence and project sustainability by taking into consideration break-even point before construction commencement.

Not forgetting that opportunities arise in every crisis, we will continue to explore for good business prospects to grow our Group's businesses and make good use of the healthy financial position.

### DIVIDENDS

For the financial year ended 30 June 2016, the Board of Directors does not recommend any dividend to conserve cash for business operations.

### APPRECIATION

Lastly, I would like to take this opportunity on behalf of the Board, to record our sincere appreciation and gratitude of the unwavering supports of our customers, business partners and government authorities that have been extended to our Group of companies. Not to forget, we wish to thank our bankers whom have extended various financial facilities to our Group to facilitate our business growth and expansion. We would also like to express our heartfelt thanks to all our employees for their hard work, dedication and commitment.

Thank you.

**DR. MOHAMAD ZABDI BIN ZAMROD**  
Independent and Non-executive Chairman



## MANAGEMENT DISCUSSION AND ANALYSIS 2016

FY2016 was a challenging year for the Group, which saw the Group's core business units delivered a mix set of performance under a year of tough business environment.

### REVIEW OF RESULTS

The Group posted total revenue of RM104.7 million and profit after tax of RM4.9 million for FY2016 as compared to total revenue of RM113.9 million and profit after tax of RM11.0 million for FY2015. Profit after tax for FY2016 and FY2015 were arrived after crediting and charging the following other incomes & losses :

	FY2016 RM'million	FY2015 RM'million	Changes RM'million
Profit after taxation :			
Precision Metal Components	9.6	7.2	+2.4
Precision Tooling and Equipment	1.2	1.0	+0.2
Metal Fabrication	0.2	3.2	-3.0
Property Development	-2.4	-0.8	-1.6
Other segments & consolidation eliminations	-2.7	-1.3	-1.4
Other non-recurring income/loss			
- Gain from disposal of property/subsidiary	2.4	1.7	+0.7
- Impairment loss on receivables	-3.4	-	-3.4
Group profit after tax	4.9	11.0	-6.1

The Group's Precision Metal Components Division recorded a remarkable growth in FY2016 by achieving a profit of RM9.6 million, an increase of RM2.4 million compared to preceding year. However, the result was dampened by the unfavorable performance in Metal Fabrication Division which was badly affected by the downturn in its oil & gas business and the Property Development Division that yet to kick off its development activities had suffered a loss of RM2.4 million. Besides, the Group had made an impairment loss on receivable amounted to RM3.4 million, as a result of a default payment caused by a solicitor stakeholder.

### REVIEW OF OPERATIONS

The Group's businesses are divided into the following two major segments, predominated by manufacturing segment, followed by property development that is yet to deliver its contribution, and other small operating business units :

#### (1) **Manufacturing**

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

#### (2) **Property Development & Others**

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

#### **Precision Metal Components Division**

The Precision Metal Components Division deals with precision machining, metal stamping, sheet metal works, die casting and surface treatment. This Division is presently the core division of the Group which contributed about 66% of the Group revenue in FY2016.

##### (i) Precision Machining

Precision machining business unit manufactures high precision engineering components that meet the stringent quality requirements of its customers from aerospace, semiconductors and medical industries. This business unit is staffed with skilled engineering and experienced management personnel that are well versed and possesses extensive background and knowledge in high precision engineering, making them competent to support in high standard manufacturing environment, particularly aerospace industry.

## MANAGEMENT DISCUSSION AND ANALYSIS 2016 (CONT'D)

### REVIEW OF OPERATIONS (CONT'D)

#### Precision Metal Components Division (cont'd)

This business unit is equipped with high precision and high performance CNC milling and turning machines which able to cater complex and wide range of products. Currently this business unit is operating in two manufacturing plants in Bayan Lepas, Penang with total floor area of approximately 63,000 square feet.

The precision machining unit has undergone a significant paradigm shift since the last two years. In line with the Group's strategy to reduce its over-reliance on the existing semiconductors and electronics business, and to venture into a high growth, high value-added business, this business unit has been successfully transformed from a feeder supplier to electronics and semiconductors industries to a major player that supporting aerospace industry, a new, upcoming and challenging business that seeing a steady inflow to the region.

Apart from sustaining its status as preferred vendor for many renowned multinational corporations and contract manufacturers in electronics and semiconductors industries, this business unit managed to penetrate the aerospace industry by supplying engineering components to various key manufacturers of aircraft products that supply their end products to major aircraft producers, i.e. Airbus and Boeing.

Precision machining unit has also diversified into medical devices industries and life science industries for the long term growth. At this juncture, contribution from medical business is still low but it will be the management's long term goal to grow this business segment in the near future. As immediate strategy, this business unit shall embark on various productivity plans to stimulate its manufacturing output and strengthen its in-house product quality performance by establishing robust quality system to further improve the top and bottom lines. Besides, continuous efforts in hiring local and skilled production machinists are paramount to ensure capacity in full swing.

The management is fully aware that this business unit is dealing with industry that emphasize on total quality and safety, hence, it is subjected to high degree of compliance risk which determine the success of the business unit. The management has deployed dedicated team to constantly review and ensure compliance with customers' stringent requirements without any tolerance.

#### (ii) Metal Stamping, Sheet Metal Works and Die Casting

The Division's metal stamping and sheet metal works business unit had been established since 1990. This business unit is engaged in manufacturing of metal component and sheet metal works for its contract manufacturers and multinational corporations customers in semiconductors and electronics industries located in Malaysia and abroad.

This business unit is operating in a manufacturing plant located in Perai, Penang with production floor area of 86,900 square feet. The plant is well equipped with all the pre-requisite metal stamping and sheet metal works machineries which include small tonnage press of 60 tonnes up to big tonnage press of 200 tonnes, laser and punching machines. This business unit had expanded into die casting business that synergistic with its existing business operations and equipped with various tonnage casting machines that ranging from 80 tonnes to 800 tonnes capacity.

This business unit has also ventured into aerospace and life science business. Despite this new business which is cultivating and growing, the present core semiconductor and electronics business are still contributing almost half of this business unit's revenue. For FY2016, this business unit is the second largest contributor to the Group's performance.

The new metal casting business that was operating at loss in the past has seen silver lining after few years of enduring hardship works. As upcoming strategic plan, boosting metal casting sales to stimulate overall business performance is important and programmes are in the pipeline.

After all, reforming engineering strength is imperative to seize more business opportunities and cost saving from innovative improvement programme.

#### (iii) Surface Treatment

Anodizing or surface treatment is an electrochemical process that converts the metal surface into a decorative colouring, durable, corrosion-resistant and anodic oxide finishing. The business unit's anodizing capabilities are focus on clear anodize, hard anodize, bright anodize, PTFE anodize, black anodize and color anodize.

## MANAGEMENT DISCUSSION AND ANALYSIS 2016 (CONT'D)

### REVIEW OF OPERATIONS (CONT'D)

#### Precision Metal Components Division (cont'd)

Currently this business unit plays a vital role in providing surface treatment service and supports to the Division's precision machining and metal stamping business units. In view of the risk of relying on a few key customers, this business unit shall continue to strengthen its marketing team to penetrate into other industries, and at the same time automate its anodizing lines to increase product volume and maintain consistency.

The Precision Metal Components Division has obtained various recognized quality accreditations such as AS9100, ISO9001, ISO14001 as well as NADCAP which equipped the Division with readiness and competitive advantages to meet the requirements of multi-national corporations.

FY2016 was a great achievement year for Precision Metal Components Division as a whole as it managed to record another sustainable solid growth, by recording profit after tax of RM9.6 million, an increase of RM2.4 million (33%) as compared to last financial year. Although the revenue for this Division was merely recording an increase of 5% compared to preceding financial year, it was truly a positive progress where the Division has managed to substitute its sales mix with higher margin new products supported by the resilient aerospace and medical industries. Apart from enjoying better margin derived from the new high value added products for aerospace industry, it had also benefited from its improved production efficiency, after going through the hardship in products nurturing stage in the past one year.

Precision Metal Components Division shall continue to focus on organic growth in FY2017. During the current financial year, it has invested RM6.9 million of capital expenditure in term of machineries and upgrading of facilities, to keep abreast of latest technology and better productivity. It shall continue to invest in high end machineries to cater for the need in aerospace and medical industries. Besides, the Division will emphasize in establishing a robust quality system at plant wide as it is vital for product quality assurance and traceability of those high end products, as well as further investment in human talent.

#### Precision Tooling and Equipment Division

The Precision Tooling and Equipment Division is operating in a matured industry that mainly serves the semiconductor industry. The Division delivered merely a net profit of RM1.2 million in FY2016, a stagnant performance as compared to preceding year. Precision Tooling business remains weak and fragile. On top of the shrunken tooling market, this business faces stiff competition from the excessive domestic tooling shops. The main profit contribution of the unit is equipment business which is currently operating from a rented plant in Singapore. To be cost effective, the management has decided to shift the equipment business operation to Penang, to enjoy lower operating costs and better logistic.

#### Metal Fabrication Division

The Metal Fabrication Division mainly involves in manufacturing of heavy metal works and structures, modules and parts for oil and gas production and extraction equipment. This business unit is operating from a 10 acres site located in Pontian, Johor. Its customers include international oil and gas majors that operating in oil and gas hub in Port Klang, Johor and Singapore.

For FY2016, this Division made a thin profit of RM0.2 million compared to profit of RM3.2 million in FY2015. The unfavorable performance was due to down turn in oil & gas industry where the business unit operated in.

In view of its specific set up that mainly cater for oil & gas industry, this business unit faces high business risk for over-reliance on one specific industry. The management believes that the current oil & gas business although is down, but not out. This business unit will continue to operate its metal fabrication business footing on its engineering strength and cost competitive model. To mitigate its business risk, the management plans to broaden its exposure to other subsea equipment supplies such as top side module fabrication, skid packages, pressure vessel as well as onshore products.

#### Property Development Division

FY2016 was a busy year for the Property Development Division, laying ground for launching of projects in FY2017 and future development. During the year, the Division had been actively engaging in projects submissions for existing land bank and projects, securing banking facilities, exploring on land acquisition and new joint venture projects.

The Property Development Division incurred higher losses compared to last year, as a result of manpower recruitment and operational expenditures in preparation for its first project to kick-off.

## MANAGEMENT DISCUSSION AND ANALYSIS 2016 (CONT'D)

### REVIEW OF OPERATIONS (CONT'D)

#### Property Development Division (cont'd)

Currently the Property Development Division owns two pieces of development land in Tanjung Bungah, Penang and Pantai Tengah, Langkawi with land size of 1.5 acres and 6.3 acres respectively. Besides, the division has acquired undivided shares of approximately 2.0 acres of freehold land in Sungai Nibong, Penang.

Listed below are the ongoing development projects undertaken by the Property Development Division :

- ***Lavanya Residence, Langkawi***

This development features a luxury serviced residences to be developed on a 6.3 acres freehold land that strategically located at the tourist hotspot area of Pantai Tengah, Langkawi. The development plans to build 37 serviced villas and a block of serviced apartments & studio. The estimated gross development value for the serviced villas is RM76 million whereas the serviced apartment & studio that yet to be approved is estimated to be RM168 million. On 29 July 2015, the project obtained Advertising Permit and Developers License ("APDL") from the authority for 27 units of the serviced villas and the approval for the remaining 10 units is in the pipeline. The Division plans to obtain APDL for the entire Phase 1 serviced villas project by end of 2016 and Phase 2 serviced apartments and studio by middle of 2017. The serviced villas units received a very encouraging feedback upon launching, which achieved confirmed booking of 57%. With the encouraging sales order in hand, the construction works for Phase 1 will commence by end of 2016.

- ***The Palms Residence, Manjung***

With a land size of 19.5 acres, this joint development project is set to be one of the up market strata titled fully gated and guarded residential project in Seri Manjung, Perak. Situated at the heart of the fast growing town of Seri Manjung and beside the Sungai Lumut river, the development will combine the beauty of river view into the gated community which plan to house 57 units of two-storey bungalows, 56 units of two-storey semi-detached houses in Phase 1, and a block of 239 units of condominium in Phase 2, with total estimated gross development value of RM255 million. On 9 August 2016, the project obtained the APDL for Phase 1. The first launch of Phase 1 landed property units is scheduled to be at fourth quarter of 2016 while Phase 2 condominium is planned for launching in mid of 2017, after obtaining the required approvals.

- ***Tanjung Bungah***

The 1.5 acres land is a prime sea-front land located in Tanjung Bungah town, which is one of the prime residential areas in Penang. It is situated beside the main road of Tanjung Bungah with easy access to Georgetown and it is along the way to tourist hotspot, Batu Ferringhi. The intended development is building of high-rise luxurious condominium and serviced apartment. The project is currently under pre-consultation stage with the authorities.

#### ***Other Development Projects***

Below are the projects that are still under planning stage :

- Joint development project on a 5.5 acres land in Bukit Mertajam, Penang
- Joint development project on a 1.6 acres land in Mukim Batu, Kuala Lumpur
- Joint development project on a 1.3 acres land in Sungai Renggam, Selangor
- Own and Joint development project on a 3 acres land in Sungai Nibong, Penang.

The management is fully alert of the market risk in view of the present poor property market condition. As such, it will withhold and exercise its prudence and cautious stand when dealing with land acquisition and project launching. For each of the launched project, the management will withhold the construction works until the confirmed sales reach the targeted breakeven point. This is to prevent unnecessary project cash flow pressure and over gearing.

#### **Provision for impairment loss**

The management is regretful of the incident where a stakeholder solicitor who held our stakeholder sum of RM3.4 million for an intended joint development project turned out to be a defaulter who failed to refund the said stakeholder sum upon expiry of the condition terms. The said stakeholder solicitor had been subsequently charged by the Police under Section 420 of the Penal Code for cheating and the court case is currently ongoing. On prudence ground, the Group had made an impairment loss in receivable of RM3.4 million of which had badly affected the Group's bottom line result in FY2016. The management has engaged a solicitor to initiate civil suit and other possible actions to recover the default sum.

## MANAGEMENT DISCUSSION AND ANALYSIS 2016 (CONT'D)

### FINANCIAL POSITION

The Group's financial positions remain healthy with cash and cash equivalents stood at RM29.3 million as at 30 June 2016 as compared to last year's RM28.0 million. The net assets per ordinary share have continued to increase to RM2.06 as compared to last year's RM2.03. The gearing ratio, although has increased to 0.08 times due to higher outlay incurred for property development business, it is still at a manageable level.

### OUTLOOK AND PROSPECT

The World Economic Outlook released in April 2016 by International Monetary Fund has projected a slight acceleration in global economic growth this year to 3.2%, a 0.2% downward revision to its Update in January 2016 and followed by 3.5% growth in 2017. The projections, however, continue to be progressively less optimistic over time. The report commented that global growth continues, but at an increasingly disappointing pace that leaves the world economy more exposed to negative risks. Growth has been too slow for too long.

In the domestic front, the World Bank has projected Malaysia's gross domestic product growth to decelerate to 4.4% this year, compared with 5% in 2015 in its Malaysia Economic Monitor Report released in June 2016. It is anticipated there will be gradual deceleration in private consumption due to a softer labour market and continued fiscal consolidation. It also predicts that export growth to remain stagnant going forward due to low commodity prices and weak outlook for the US and China. Prospects for major advanced economies have deteriorated amid weak global trade and manufacturing activity.

The unexpected Britain's historic vote in June 2016 on its exit from European Union membership has fuelled further the uncertainties of world economy outlook. It has caused chaotic in world financial markets landscape and affected the investment sentiments, casting a pall over the already-weak global growth.

As forward looking indicators suggest that global and Malaysia's manufacturing segments remain weak in 2016 and the succeeding year, we are anticipating a tough business environment ahead. The Group will continue to leverage on Precision Metal Components Division for growth and at the same time, to maintain sustainability in Metal Fabrication and Precision Tooling & Equipment Divisions while awaiting market upturn and recovery of capital expenditures in the industries.

The Precision Metal Components Division will tap the well-placed position in niche markets of aerospace and medical industries to further grow its earning base. Product quality acceptance tests by aerospace customers have been fruitful and we are looking forward to produce more value-added products and scaling up the aerospace industries' supply chain. We are nurturing growth with existing customers while cultivating new ones. At the same time, we are intensifying our efforts to made inroads into medical and life science industries to increase contribution from these sectors.

The Metal Fabrication Division that relies heavily on oil & gas industry may face challenges in defending its bottom line of not to fall into red. It is anticipated that the order book of this Division will remain weak due to low oil & gas exploration activities. The valuable experience we have gained from the business and managing operational efficiency will help us to weather through this challenging time while awaiting recovery of the oil & gas industry.

The performance of Precision Tooling and Equipment Division is anticipated to be challenging as well in FY2017. The management is in the midst of re-engineering in moving away from the sunset precision tooling industry to supply value-chain business model relying on business networks and goodwill we established since founding of the Group.

Our Property Development Division is progressing well as per plan. We are anticipating the start of construction work in quarter ending December 2016 for the Lavanya Langkawi Project. In view of the weak property market outlook, we will observe prudence and project sustainability by taking into consideration break-even point before construction commencement. To move forward, the management shall focus in sourcing joint venture project rather than acquiring land bank to avoid over-gearing in development projects.

The Group will continue to unlock its investment in idling and non-productive assets to generate fund for its core business and property development projects.

Barring any unforeseen circumstances, the Group is cautiously optimistic to remain profitable in FY2017.



## STATEMENT ON CORPORATE GOVERNANCE

To safeguard the stakeholders' interest and in enhancing shareholders' value, good corporate governance is vital to the success of the Group in carrying out its business operations. The Board strives to ensure that appropriate standard for good corporate governance being practiced throughout the Group and complied with the recommendations as set by the Malaysian Code of Corporate Governance 2012 ("MCCG 2012").

Pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), this Statement explains how the Group has applied the key principals of MCCG 2012 and compliance with the recommendation throughout the financial year ended 30 June 2016.

### **Principle 1 – Establish Clear Roles & Responsibilities**

The Board is entrusted with the role of steward and guardian of the Company by the shareholders. The Board is formed in a balanced composition with three (3) Executive Directors and three (3) Non-executive Directors. Out of the three (3) Non-executive Directors, two (2) are Independent Directors.

The Company is led and effectively managed by the Board and its Committees whom are not only governed by the relevant legislations and regulations, but also the Company's Board Charter. The Board Charter which is available at Kobay's website ([www.kobaytech.com](http://www.kobaytech.com)), has set out the role and responsibilities, code of conduct of individual Board members and Board Committees' Term of Reference. The Terms of Reference of Nominating Committee and Audit and Risk Management Committee are separately disclosed on the website. The Board will review and revise the Board's Charter every 5 years interval or whenever is necessary. The Board Charter has been last reviewed on 23 August 2016.

No individual or group of individuals dominates the Board's decision making. Each Director contributes his skill, experience and expertise accordingly and each agenda/issue raised is carefully considered during Board meeting. Documents and information in relation to any corporate or business issue to be discussed in the meeting are furnished to the Board members prior to the meeting. The Board members review updates and/or reports inclusive Board attendance, resolutions passed quarterly, Directors' dealing in Company securities and directorship in other listed entities, financial information, Committees' report, risk management report, external auditor feedback and corporate developments. Four Board meetings were held in the financial year ended 30 June 2016.

The Board has appointed two (2) Company Secretaries, an in-house secretary and an external secretary who are responsible for ensuring all corporate governance matters and the Board procedures are followed, as well as in compliance with all applicable laws and regulations. The in-house and external Company Secretaries carry out the secretarial function to ensure there is check and balance between the operational decision and compliance to the applicable laws and regulations. Besides overseeing the corporate secretarial function of the Group, the in-house Company Secretary also facilitates the communication of key decision, policies revision and strategic planning process within the Group during weekly EXCO meetings, and the Board during quarterly meetings and disseminate related decision made by the EXCO/ Board to senior management, if necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

For document administration, the relevant information pertaining to the proposal paper for EXCO will be furnished to the EXCO not less than a working day and whereas for the proposal paper to the Board of Directors, it shall be in accordance with the notice period served, i.e. 7 days prior to the meeting date. Records of the deliberation, issues discussed and conclusion were recorded by the Company Secretaries whom attended all the meetings. The minutes were circulated to all Directors for their confirmation not more than 14 days from the date of the meeting, before it was signed off by the Chairman of the meeting and kept at the Company's registered office.

Each and every Director is able to access directly to the senior management and to the advice and services of the Company Secretaries through their contact phone numbers and email. Directors may also seek external independent professionals' advice for more information to be well informed prior to any decision made by them at the Company's expense via Company Secretary coordination, on a case to case basis, if necessary.

The Board has defined six (6) core areas which are crucial and critical in promoting the Group's sustainability, namely : -

### **Setting, reviewing and adopting a strategic plan for the Company.**

The Chief Executive Officer (CEO), whom is also one of the three (3) members of Board's Committee, namely the Executive Committee (EXCO), has been assigned with the task to develop Corporate Directions of the Group whereby the EXCO will review, deliberate and adopt the corporate objectives. CEO will represent the EXCO to disseminate the Corporate Directions to senior management for them to commence their yearly strategic planning process with related Head of Company (HOC) within the Group. Upon completion, each and every HOC will present to the EXCO its yearly strategic plan and goals for buy-off prior to the commencement of new financial year.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### **Setting, reviewing and adopting a strategic plan for the Company. (cont'd)**

Thereafter, the detailed budget for each subsidiary company approved and adopted in line with the yearly strategic plan and goals will be monitored and any additional budget during the financial year will require EXCO approval. Individual senior management inclusive HOC will be assigned with financial authority limit governed by the Group Financial Policies and Procedures.

The Group has quarterly conducted a review by the EXCO on each and every subsidiary company's performance. The HOC's performance will be assessed half yearly based on the subsidiary company's performance. The Group has also conducted yearly Best Performance Company Award competition within Kobay Group whereby the entire company's employees will receive an incentive for celebration of its achievement.

### **Overseeing the conduct of the Company's business**

Each and every subsidiary company is led by the HOC and grouped under respective business divisions of manufacturing and property. They are individually led by respective Strategic Business Group Head (SBGH). These SBGHs will have their own strategic plans and goals that have been approved by the EXCO and they will be evaluated based on the achievement of Key Performance Indices.

EXCO assigned certain of its authorities to SBGHs for the day to day operations, however should any transaction which exceed their authorities, the matter shall be brought up to EXCO for approval prior to implementation. The respective management levels' financial authority limit is clearly defined under Financial Authority Matrix in Company Financial Policies and Procedures Manual. As for Board levels, the EXCO's authorities were clearly stipulated in the Board Charter. Any decision which is beyond the responsibility of the EXCO shall be raised to the Board of Directors via the Company Secretary, so that proper notices and/or documents be able to distribute to the Board for their consideration and approval.

### **Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks**

The Group identifies, evaluates and manages the principal risks faced by its businesses in a systematic manner and guided by Group Risk Management Framework which is a part of Company Policies and Procedures Manuals. Risk management activities to mitigate company risks are embedded into subsidiary's strategic plan and goals. The management reports progress of risk management activities in operational meetings and the EXCO presents risk management report quarterly to Audit and Risk Management Committee. The Internal Audit Department also conducts yearly review on the Group's risk management activities and its adequacy and reports to the Board.

### **Succession planning**

The EXCO will assess and recruit high caliber and potential candidates from senior management that fit to be their successors and will recommend to the Board in line with the succession planning programme of the Group. The EXCO will then groom the suitable candidate including appointing, training, fixing the compensation of and where appropriate, to succeed senior management. The Board or its Committee will oversee the human capital development process, monitoring and benchmark against pre-determined evaluation criteria before appointment being made.

During the financial year under review, the Nominating Committee has proposed two (2) candidates for the Board's consideration under the succession planning programme for which the Board has appointed one of the candidates, Mr. Koay Wooi Tatt as our Chief Operating Officer overseeing the manufacturing division of the Group effective from 10 October 2016.

### **Investor and shareholder communication**

Under the Board Charter, the Board has developed an investor and shareholder communication policy and the Company Secretary has been assigned as the point of contact for the investor and shareholder.

For all corporate related matters, employees or any member of the public may contact the Company Secretary via email to cosec@kobaytech.com or via post mail to the Senior Independent and Non-executive Director, Mr. Khaw Eng Peng whom is also the Audit and Risk Management Committee's Chairman. Should there is a need to contact in person, the employee or member of the public may call the Company Secretary, Ms. Chan Mun Shee, at 04-3711338 ext. 302 or Ms. Wong Mee Choon at 04-2280020.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### **Company's internal control systems and management information systems**

Company Policies and Procedures Manuals have been adopted to ensure the assets of the Company are safeguarded against loss from unauthorized use/disposition and all transactions of the Company are properly authorized and that they are recorded as necessary to enable the preparation of true and fair financial statements and the related disclosures as required of the Company. The EXCO has adopted a Management Information Systems Policy and Guide in managing data and information flow within the Group. MIS Department is to ensure that Company's latest information be uploaded and published on Kobay's website.

The Internal Audit Manager and the MIS Manager have been assigned by the EXCO to review the adequacy and integrity of the internal control systems and management information systems respectively, every quarter and whenever is necessary, including systems for compliance with applicable laws, regulations, rules and directives and guidelines. They will report to the EXCO on any irregularity and non-compliance that need to be corrected or amended and obtained approval for corrective actions.

The Board acknowledges that the Group shall strive to balance the public trust via the products or services we offer with the interest of various stakeholders e.g. our valuable customers and employees while creating the nation economic value. The Group has inculcated Kobay's corporate culture (a common set of values and beliefs) - A.C.T.I.O.N.S. and are our ultimate sustainable source for our competitive advantage. Every newly recruited employee inclusive the newly appointed Director are expected to conduct themselves with the highest ethical standards and employees are expected to uphold the Kobay Code of Standard Business Conduct. The new recruits will be provided with an orientation programme, whereby the corporate culture be briefed and make aware of A.C.T.I.O.N.S. as a way of our corporate culture and responsibilities. The new recruits, except operators, are required to sign a pledge form to comply with the Code.

In achieving the committed standards of business conduct, the Group has underlie and implemented the Group Human Resource Policy and Whistle Blowing Policy, where not only the Board but all the employees can raise any concern about any improper conduct within the Group to the proper channel for all business/operation related matters. These policies have provided procedures and stated therein the right feedback channel for reporting any non-compliance. Any human resource related feedback shall be directed to the Head of Group Human Resource whereas any whistle blowing related matters shall be reported to the Head of Internal Audit. Details of the Code of Business Conduct Policy and Whistle Blowing Policy can be found on our website.

The Board acknowledged the importance of balancing the environmental, social and governance (ESG) aspects of business are essential in enhancing investor perception and public trust. The Group is undergoing the process to formalize the company's strategies on promoting sustainability. The Board will made available on the Company's website the finalized and approved policies. The Sustainability and Corporate Social Responsibility Statement is disclosed on pages 26 - 27 of this Annual Report.

### **Principle 2 – Strengthen Composition**

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

This Committee is responsible to recommend to the Board of any new Director, Non-executive or Executive appointment and assessment of the effectiveness of each Director or the Board and its Committees as a whole on an on-going basis. Each year immediately after the financial year end, the Company Secretary will send out the performance evaluation forms for individual Directors to perform self-evaluation on his/her performance during the financial year. The Nominating Committee will evaluate their performance individually and as a team if the said Director was also member of the Board Committee as a whole, via performance evaluation forms and the assessments table in Board of Directors meeting.

Notices are also being sent to those Directors whom due for retirement on their reply whether to opt for re-election during the forthcoming Annual General Meeting ("AGM"). Consent letter from retiring Director will be compiled and the Nominating Committee will recommend to the Board those Directors retired and eligible for re-election during the forthcoming AGM.

The Nominating Committee met once yearly and has on 26 August 2015 conducted its meeting on assessment of Directors' performance and for re-electing/re-appointing those Directors whom retired for approval of the members in its AGM set on 9 December 2015.

For the assessment of Directors' performance, re-electing/re-appointing those Directors whom retired for approval of the members in its forthcoming AGM set on 14 December 2016, it has conducted its meeting on 23 August 2016 to deliberate on the matters. The assessments and evaluations carried out by the Nominating Committee in discharge of all its functions are properly documented.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### **Principle 2 – Strengthen Composition (cont'd)**

In line with MCCG 2012, the terms of reference of the Nominating Committee includes review of Board's succession plans and training programmes for the Board. During the financial year under review, the Committee has recommended suitable candidates from the senior management whom possesses leadership qualities, a team player, industrial/professional knowledge, dynamic and able to drive the Company/Group in achieving the corporate direction and key strategies for the Board's succession planning plan. The Board is consistently looking for female candidates with the same caliber to balance up the gender diversity of the Board and target to have at least a lady director be appointed within the next three (3) years.

The Board is aware and always strives to adhere to the nine (9) years' service tenure for Independent Director. For Independent Director whom has served the Company for more than nine (9) years tenure, the Nominating Committee will evaluate that particular Director's contribution and his independency in discharging his duty yearly, deliberated on the suitability to retain him as Independent Director before proposed to the members for approval with justification in the forthcoming AGM.

### **Appointment and Re-election of Directors**

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

Directors aged above seventy (70) years old are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. There are two (2) Directors namely Dr. Mohamad Zabdi Bin Zamrod and Mr. Koay Ah Bah @ Koay Cheng Hock will be retiring this forthcoming AGM pursuant to Section 129(6). Both have informed the Company of their willingness to continue in their office and the Nominating Committee has reviewed and recommended where the Board has approved their re-appointments for the members approval in the forthcoming AGM.

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

<b>Name of Director</b>	<b>Re-election/Retirement and re-appointment/Re-appointment</b>	<b>Articles of Association/Companies Act 1965/MCCG 2012</b>
Dr. Mohamad Zabdi Bin Zamrod	Independent and Non-executive Chairman	Section 129(6) and MCCG 2012
Mr. Koay Ah Bah @ Koay Cheng Hock	Non-independent and Non-executive Director	Section 129(6)
Dato' Koay Hean Eng	Chief Executive Officer	Article 95

The Group believes that it is utmost importance that either the Board members or its employees shall compose of best-qualified and competence individuals who possess the requisite knowledge, skill, experience in discharging his/her duties effectively in the best interest of the Company and the shareholders regardless to their age, gender, race or religion. The Group Human Resource Department has continuously working for gender diversity not only at executive and lower management position but also at senior management whereas the Nominating Committee is continuously evaluate the competent and suitable candidates for Directors' position.

Under MCCG 2012, the Board disclosed herein its gender diversity amongst the management position and Directors of the Board for the financial year ended 30 June 2016.

<b>Category</b>	<b>Total Headcount</b>	<b>Employees Headcount for</b>		<b>% of Employee for</b>	
		<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Senior Management	19	14	5	74	26
Chief Executive	3	3	0	100	0
Board of Directors*	6	6	0	100	0

\* include chief executives namely Chief Executive Officer, Chief Administrative Officer and Chief Financial Officer.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### **Principle 2 – Strengthen Composition (cont'd)**

#### **Remuneration Committee**

The Remuneration Committee comprising two (2) Independent and Non-executive Directors and one (1) Executive Director was set up in year 2001 and its detailed composition is set out on page 2 of this Annual Report. It determines, reviews and recommending salary, benefits, general remuneration policy and practices for the Company's Executive Directors. The Group has established its Group Human Resource Policy and Procedures in year 1989 and has periodically review every five (5) years interval or as and when is necessary where the remuneration package for its employees inclusive Executive Directors are stated and governed therein.

The Remuneration Committee will review the Director's remuneration package inclusive benefits in-kind to align with business strategy and long term objective of the Group besides matching with the seniority, responsibilities and expertise of an individual during the recruitment and/or periodically performance evaluation as set per the Group Human Resource Policy and Procedures.

The current performance evaluation interval for employees of which inclusive Executive Directors as ruled and guided by the Group Human Resource Policy and Procedures is half yearly. The Executive Directors' performance evaluation will be reviewed by the Remuneration Committee during the month of August yearly tracked by Key Performance Indices set in achieving the Group's Vision and Mission. The Committee's recommendation will be recorded for the execution of EXCO with the aim to "attract and retain" committed and performed Executive Directors to drive the Company or the Group. No Director is allowed to approve his/her own evaluation.

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

The Committee had on 26 August 2015 proposed Directors' fee payable for the members' approval in the AGM held on 9 December 2015. It has proposed Directors' fee payable for the financial year ended 30 June 2016 on 23 August 2016 meeting for the forthcoming AGM to be held on 14 December 2016.

Details of the Directors' remuneration are reported herein.

#### **Directors' Remuneration**

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

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

#### **1. Directors' Fees**

Directors' fees are payable only to Non-executive Directors. For the year under review, the Board proposed a fee of RM5,000 for each Non-executive Director. Director who has not served the full financial year, the payable Director fee will be apportioned accordingly. Breakdown of Directors' fees payable to each and every Non-executive Director for the financial year ended 30 June 2016 is as follows : -

<b><u>Non-executive Director</u></b>	<b><u>Proposed Directors' Fees (RM)</u></b>
Mr. Koay Ah Bah @ Koay Cheng Hock	5,000
Dr. Mohamad Zabdi Bin Zamrod	5,000
Mr. Khaw Eng Peng	5,000
<b>Total Payable</b>	<b>15,000</b>

#### **2. Non-executive Directors' Other Benefit**

Non-executive Directors are paid a perquisite for their every attendance of quarterly meeting and during the financial year ended 30 June 2016, a total of RM4,900 meeting expenses have been paid to Non-executive Directors.

#### **3. Directors' Remuneration**

A summary of the Directors' remuneration paid or payable to all Directors of the Company by the Group, both for Executive and Non-executive Directors, categorised into appropriate components and into each successive band of RM50,000 for the financial year ended 30 June 2016 is disclosed below : -



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 3. Directors' Remuneration (cont'd)

	Executive Directors	Non-executive Directors	
	Company / Group (RM)	Company (RM)	Group (RM)
Fees	–	15,000	15,000
Salary and other emoluments	883,788	–	36,000
Bonus	203,990	–	4,500
Allowance & Statutory Contributions	112,507	4,900	7,976
<b>Per annum</b>	<b>Executive Directors</b>	<b>Non-executive Directors</b>	
0 to RM 50,000	–	–	3
RM50,001 to RM100,000	–	–	–
RM100,001 to RM150,000	–	–	–
RM150,001 to RM200,000	–	–	–
RM200,001 to RM250,000	–	–	–
RM250,001 to RM300,000	–	–	–
RM300,001 to RM350,000	1	–	–
RM350,001 to RM400,000	1	–	–
RM400,001 to RM450,000	–	–	–
RM450,001 to RM500,000	1	–	–

There is no granting of options under the Employees' Share Option Scheme established on 19 April 2016.

#### **Principle 3 – Reinforce Independence**

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

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

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

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

With Dr. Mohamad Zabdi Bin Zamrod re-appointment and retained as Independent and Non-executive Chairman, the recommendation 3.4 of MCCG 2012 is complied therewith by the Company.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### Principle 4 – Foster Commitment

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

The Board as a whole acknowledges the importance of training and has delegated the Nominating Committee to continuously evaluate the training needs of the Directors and determine relevant training particularly in new laws and regulations, essential practices to enhance corporate governance and risk management so to enable the Directors participate in deliberations and effectively discharge their duties. All Directors have undergone the Mandatory Accreditation Programme and complied with the Listing Requirements.

The Nominating Committee has formalized an orientation programme, of which included the introduction of Company's background and strategic plans and directions of the Company as well as the Group, for all newly appointed Directors. For the current financial year, there is no new Director being appointed.

The Company Secretaries will updates the Board members with the new/amended Listing Requirements or relevant laws and regulations via Board of Directors Meetings held.

The followings are additional courses and training programmes attended by the Directors for the financial year ended 30 June 2016.

Directors	Training Programmes Attended	Date
Lim Swee Chuan	Housing Development Act and Strata Title Act	9 July 2015
	Bursa Malaysia's Advocacy Session on Management Discussion & Analysis	30 July 2015
	Transfer Pricing Seminar	31 July 2015
	GST Accounting for Property Developers & Contractors	11 January 2016
	Recent Developments in Tax, GST & Custom Law	5 April 2016
	Bursa Malaysia's Corporate Government Statement Workshop	9 May 2016
Khaw Eng Peng	CG Breakfast Series with Directors by Bursa Malaysia	21 September 2015
	Technical Overview & Update on MFRS/IFRS - 2015	6 & 7 October 2015
	KPMG Tax Summit 2015	4 November 2015
	Getting Your GST-03 Correct by MIA	21 December 2015
	Accounting for Construction Contracts, Property Development Activities & Borrowing Costs (Incorporating MFRS 15)	19 & 20 May 2016
	Companies Bill 2015- Ease of Doing Business = Cost Saving?	29 June 2016

### Principle 5 – Uphold Integrity in Financial Reporting

The Board has established the now designated as Audit and Risk Management Committee ("ARMC") in September 2001. The ARMC comprises of three members, two (2) out of the three (3) financial literate members are Independent and Non-executive Directors and one of them is a member of an accounting association.

The ARMC's composition and its report are set out in page 31 - 32 of this Annual Report.

Assigned by the Board on Directors requirements under the Companies Act 1965, the ARMC will ensure the financial statements prepared for each financial year complied with applicable financial reporting standards and give a true and fair view of the state of affairs and financial position of the Company. The ARMC will then recommend the financial statements for the Board's approval. The ARMC has reviewed the audited financial statements for the financial year under review and a Statement of Directors' Responsibilities in preparing the financial statement is set out on page 33 of this Annual Report.

In accordance with the External Auditors Policy (for which the said Policy is published on Company's website, [www.kobaytech.com](http://www.kobaytech.com)), the ARMC shall assess suitability and independence of external auditors once in a year and the external auditors shall assure the ARMC in written form that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The external auditors have, during the 26 May 2016 ARMC meeting, confirmed their independency for the audit engagement provided for the financial year ended 30 June 2016.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### **Principle 5 – Uphold Integrity in Financial Reporting (cont'd)**

Save for the audit services and review of Statement on Risk Management and Internal Control provided during the financial year ended 30 June 2016, there are no non-audit services provided by the external auditors. Any non-audit services to be provided by the external auditors shall be first reviewed by the ARMC before tabled for the Board's approval prior to engagement.

The external auditors have indicated their intention to continue their service and the ARMC has reviewed and recommended their re-appointments to be included into agenda for shareholders' approval in the forthcoming AGM.

### **Principle 6 – Recognize & Manage Risks**

The Board is primarily responsible for the Group's sound risk management framework and internal control system. The Company has identified the key business risks to safeguard the shareholders' and the Company's investment. The Group's risk management framework was established in year 2013, it determines the risk tolerance level and risk management accountability bodies and monitoring procedures of the Group's business risk.

#### **Internal Control**

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

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

The Company has a customized Enterprise Resource Management System which enables the management to monitor and manage each individual subsidiary company's Key Performance Indices to ensure their operations are operating to the management expectation.

The Board has established an Executive Committee ("EXCO") which comprises of three (3) Executive Directors to manage the day-to-day operations of the Group. The primary functions of the Committee are stated in the Board Charter and accessible in Company's website. The EXCO will review individual subsidiary's risk management and internal control activities during the quarterly meetings as an on-going monitoring process.

The Group's Statement on Risk Management and Internal Control is set out on page 28 - 30 of this Annual Report.

#### **Internal Audit**

As regards to the internal audit function, the Board views it as an integral part of an effective system of corporate governance. The Board has established an in house Internal Audit Department to periodically review on the adequacy, effectiveness and integrity of the Group's internal control system, management information system, risk management and governance processes. The internal auditors review and highlight weaknesses in control procedures and makes recommendations for improvement. One of internal auditors' functions is also to investigate any complaints on mismanagement of Company's properties and assets and any instances of fraud or malpractice. The Internal Audit Department reports directly to the ARMC, to ensure the independence of the internal audit function.

Summary of the activities of the Internal Audit Department is set out in the Audit and Risk Management Committee Report on page 32 of this Annual Report.

### **Principle 7 – Ensure Timely & High Quality Disclosure**

The Company's Corporate Disclosure Guide has been established and the said policy is available on Kobay's website, [www.kobaytech.com](http://www.kobaytech.com).

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### **Principle 7 – Ensure Timely & High Quality Disclosure (cont'd)**

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

### **Principle 8 – Strengthen Relationship Between Company & Shareholders**

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

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

The Board is aware of the requirement for poll voting in General Meeting under the amended Listing Requirements and will make announcement of the results for each resolution during the meeting and to the public via Bursa Link.

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

The Company disseminates information on all its announcements through Bursa Securities' website ([www.bursamalaysia.com](http://www.bursamalaysia.com)). Shareholders and stakeholders can also access through the Company's website ([www.kobaytech.com](http://www.kobaytech.com)) globally to obtain information in relates to Group's strategy, performance and major development. There is a platform where the investor/ shareholder be able to communicate and send an email to the designated person on our Company's website.

Shareholders may direct or post to Mr. Khaw Eng Peng, the Senior Independent and Non-executive Director for any queries or concerns regarding the Company at the registered office of the Company at 3<sup>rd</sup> Floor, Wisma Kobay, No. 42-B Jalan Rangoon, 10400 Georgetown, Penang. At all times, shareholders may contact the Company Secretary, Ms. Chan Mun Shee or Ms. Wong Mee Choon via office contact number or email to [cosec@kobaytech.com](mailto:cosec@kobaytech.com) for information.

The Board has reviewed this Statement on Corporate Government and has approved it on 10 October 2016.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT

To be a good corporate citizen, the Group aims to balance both the financial stability and its social responsibility in attaining sustainable growth.

The Board acknowledged the importance of organization sustainability in achieving the business excellence and value creation.

### **Economy**

Yearly, the Board and its Executive Committee will initiate the strategic planning process for the Group and upon approval obtained by the Board, the Executive Committee will monitor the performance of individual subsidiary company with Key Performance Indices (KPIs) set to minimize risk exposure in order to meet the financial stability. KPIs tracked includes financial and operational KPIs that respectively tracks all financial performance from profit before tax, earnings per share, costing, as well as operational performance from human resource, marketing, manufacturing processes, quality, etc.. In ensuring achieving the operation KPIs, the Group does maintain Standard Operation Procedures ("SOP") for our subsidiary companies to ensure the products we produced inclusive sub-contractor processes are all met the customers' expectation in quality, cost and delivery.

The Group views our customers as our long term business partners and we work hand in hand and providing solutions to them whenever is necessary. In turn, we learn new technologies from local and overseas customers and with customers' continuous support, we will be moving upward in supply chain together. Each individual subsidiary company within the Group will also continuously look into upgrading their operations capability to best support the customers with high end machineries, lesser reject tolerance and more green processes.

To grow together with our suppliers and move up the value chain while contribute to the economy, individual subsidiary companies meet suppliers periodically to understand and rectify any challenges or deviation from the SOP or its Quality Policies so to achieve manufacturing and business excellence. The meeting will cover areas like how to improve cost saving and have a more sustainable supply chain, e.g. reduction of operations disruption and to draw feedback from the suppliers for new processes, products or materials that could enhance delivery lead time and quality of the products while exploring innovation. Kobay believes that in cultivating a better collaboration with the suppliers, it will best position the Group in differentiating us in the market place and to tap the opportunities available thereof.

The Group has embarked on Continuous Improvement Programme ("CIP") to recognize and reward employees whom have creatively contributed to the Group in cost savings or process improvements in manufacturing environment, of which is win-win for both the Group and the employees in achieving business excellence and sustainability. The Group has seen the contribution and effort from employees in participating the CIP for which some of the cost savings or process improvements have managed to strike significant results and improvement that benefited the Group in return.

With the employees' commitment in attaining the corporate vision and full participation in the Group's sustainability, the Company has recognized employees contribution by rewarding their performance either in team or individually via performance incentive and, employees are also rewarded on their length of services via service award per our Corporate HR Policies. In addition to that, individual subsidiary company has various incentives in place to reward their employees and hold celebration periodically for achieving goals set for internal challenge.

The continuous learning between the suppliers, company, customers and employees will contribute toward economic growth in long term and thus win-win for all parties.

The Group has diversified into property development in year 2009 as the Board does not intend to depend solely on manufacturing and to minimize the operation risk of depending on a single industry. Since the diversification, the Group has launched two (2) development projects respectively in Langkawi and Lumut, Perak. The Board has always in mind of the operation and market risk in property development and any environmental issue which impacted onto the community at large when embark on any development project. The Board is looking forward to the economy enhancement via tourism and employment opportunity to Langkawi and Lumut, Perak with our development projects.

### **Environment**

Kobay supports green environment and committed to continuously manage the impact of its operations towards minimizing environmental pollution. All waste management systems of the Group are approved by relevant authorities and the Group will continuously review and upgrade its operation facilities to ensure compliance. The Group only assigned licensed operators to manage the waste and disposal from operations to ensure no hazardous cause to the environment.

Subsidiaries of the Group consistently maintaining and non-stop in improving its accreditation in ISO and Precision Components Group's businesses have obtained accreditation in ISO 14000 and 14001 environmental management system which helps the company to identify, prioritize and manage environmental risks as part of its business practices.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONT'D)

### **Environment (cont'd)**

In contribution to environmental friendly, the Group consistently educate its employees in 3R i.e. reuse, reduce and re-cycle. We consistently looking for ways to reduce the energy and water consumption as well as cost saving via re-use and re-cycle. For example, employees will re-use scrap paper at the office, re-cycle packing materials for its products provided that the customer are informed and consent be obtained, re-cycle old files and cultivating paperless working environment by computerizing reporting format and systems, etc..

For in house environment, the Group encourages employees consistently keeping the working environment clean and tidy. The Group organizes yearly 5S competition amongst subsidiaries and encourages employee to dispose of or re-cycle those unused items or papers or waste and monies raised therefrom will be donated to the needy of the society.

Aside from contributing to the economy of scale and cost saving via CIP, innovation in saving energy and resources for incorporating into manufacturing processes is one of the criteria where the management encourages employees to contribute in CIP.

### **Social**

Employees as stakeholders of the Group and they are required to abide to all rules and regulations inclusive but not limited to Corporate Human Resources ("HR") policies, 5S, OSHA (Occupational Safety and Health Act) which promote a safer and healthier working environment. All operating companies within the Group are complied with labour standards and OSHA.

The Group's management values the continuous education at large, new recruits are invited to attend the Group's orientation where they will be briefed with the Group's Vision, Mission and Values as well as the operations systems. All employees are given opportunity to be trained or re-trained either internally via internal training or by external coach whenever need arise, so to equip and update them with soft and hard skill in order to compete in the ever challenging market place. The Group has continuously in recruiting new talent to enhance the Group's human capital resources and contribute new idea to the Group's operations.

The Group reviews and revises its human resource policies and rewards system periodically to attract and retain employees and foster greater productivity. Heads of subsidiary companies will review monthly or whenever is needed to ensure a balance rewards system in recognizing employees performance that have contributed to the Group's result. Any recommendation for revising or setting new policies or practices is tabled to the Executive Committee of the Group for approval prior to implementation. Key personnel is updated with new policies implementation during the off-site half yearly meeting whereas individual company's HR will disseminate to all employees in relates to new implementations.

For the Property Development Division, the Group has also in mind of safety in its property development and only licensed and qualified professionals are invited to participate in our property projects. The steering committee of our property project meets weekly and all requirements of authorities are complied therewith before the project is launch to consumers.

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

### **Risk Management**

The Group's approach in addressing and managing risks is based on the principles and recommendations of Malaysian Code on Corporate Governance 2012. Risks are effectively managed to ensure business continuity and achieving our Group's objectives. To meet these commitments, risk management practices formed an integral part of the Group's strategic planning and management processes and are embedded into Group's culture, organization structure, business processes and internal control systems. The Group has formalized and adopted a Risk Management Framework Manual which documented policies and procedures to be applied in risk management in 2013.

Risk management is an on-going process of identifying, assessing and managing key business risks. It also involves assessment of the impact, likelihood and determination of tolerance level of such risks. In the Risk Management Framework Manual, the Board has provided guidance on acceptable risk tolerance levels, responsible bodies, processes and flow of identifying, analyzing risks and their dispositions, the planning and execution timetable, monitoring and reporting procedures. With the Framework, the Board has put in place and communicate its commitments, policies and systems to articulate, implement and review of Group's risks management, monitoring mechanism of their effectiveness, relevance and response to change conditions to all levels of management in the Group.

Kobay Risk Management Framework is applied to all strategic business units that have active activities within Kobay Group but excludes associated company or joint venture entity. There is no associated company or joint venture entity in the Group for the financial year under review.

Key components of the risk management accountability framework are described as follow :

### **Board of Directors ("Board")**

It is the Board's role to establish a sound framework to manage risk. The Board determines the Group's level of risk tolerance for assessing key business risks faced to safeguard shareholders' investment and Group's resources. Risk appetite measured by tolerance level of loss has been formally defined and stated in Risk Management Framework Manual for application in risk assessment and management.

For effective implementation and management, the Board has delegated its review process role to Audit and Risk Management Committee ("ARMC"). However, the Board as a whole maintains the execution role and responsible for all the actions of ARMC.

### **Audit and Risk Management Committee ("ARMC")**

The Audit Committee of the Board has been designated as Audit and Risk Management Committee in 2013, to be more reflective of its functional role in both the auditing and risk management activities.

ARMC assists the Board in fulfilling its risk management oversight role. ARMC reviewed risk management reports presented by management quarterly on risk management activities carried out, risk identification and their action plan and status update on items that classified as high risk before report to the Board. The Internal Audit Department has also provided report on its annual review of risk management activities for compliance with policies and procedures as stated in Risk Management Framework.

### **Management**

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

In business operations, the Chief Operating Officer ("COO") and Head of Strategic Business Group and Functional Units ("SBG Head") are responsible for risk management within the respective strategic business and functional units. Their responsibilities include the designing and implementing of a sound system of risk management to identify, assess, monitor and manage major risks that have impacts on achieving business objectives.

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

### **Management (cont'd)**

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

### **Risk Identification, Evaluation and Management**

The Group's risk coverage are basically divided into three areas, namely strategic & operational, financial and compliance. For risk evaluation, risk level is calculated by its likelihood and consequences. The risk level as tabulated will determine which risk management accountability body is to address and report to on status update as guided in the Group's Risk Management Framework.

To identify and evaluate strategic & operational risk faced by the Group activities, yearly strategic planning sessions attended by EXCO and operations management are being carried out before beginning of new financial year. Kick-off meeting for Strategic Plan Financial Year 2017 was commenced in February 2016. Chief Executive Officer and senior management held brain-storming sessions to evaluate current business environment, competition landscape, identified key risks faced by Group's businesses and determined the Group's directions going forward.

At business operation level, SBG Head performed SWOT analysis on business operating environment, industry trends, capabilities, past performances and developed strategic plan on business direction & strategy, focus and expectations. Based on the strategic plan, SBU Head and line management prepared business unit's strategic plan covering details of planned activities, goal set, annual budget and Key Performance Indices for guidance, communication and monitoring. Meetings were then conducted between EXCO, SBG Head and SBU Head to discuss, review and buy-off the annual strategic plans, goals and Key Performance Indices. The EXCO's final buy-off of Strategic Plan Financial Year 2017 was completed in May 2016.

As for compliance and financial risks, they are carried out by SBU Heads and Group Accountants via Risk Assessment Forms. Risk assessment is done on individual business unit basis by way of questionnaire to systematically assess currently known risks guided by past records in risk register and emerging risks foresee.

For managing and monitoring risks, the quarterly held Operations Review Meeting has incorporated a reporting agenda for SBG Heads to report to EXCO on risk issues and current business situations that have bearings on risk management and impacted or likely to impact the business units in achieving objectives and strategies. The remedy actions to address the significant weaknesses and threats identified are reported. As for the progress on risk management activities identified and to be carried out in business units, SBU Heads reported their progress to EXCO in the meeting.

The Chief Executive Officer and Chief Financial Officer have provided a written assurance to the Board on 10 October 2016 stating that the Group's risk management and internal control system are operating adequately and effectively for the current financial year under review and up to the approval date of this Statement for inclusion in Annual Report.

### **Internal/ External Audit**

Internal Audit is responsible for evaluating the effectiveness and efficiency of risk management and laid-down practices are in compliance and implemented in the Group. A review is to be carried out at least once in a year with the outcome reported to ARMC. Internal Audit Department has carried out the annual review on Group's risk management activities and reported in August 2016 ARMC meeting.

The External Auditors review the Statement on Risk Management and Internal Control of the Group and report the results thereof to the Board on annually basis. The External Auditors have reviewed the Statement which is included in the Annual Report for financial year ended 30 June 2016, guided by Recommended Practice Guide 5 (revised) issued by Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material respects, in accordance with the disclosures to be set out as required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

### **Internal Control System**

On the Group's system of internal control that provides reasonable assurance that assets of the Group are safeguarded against loss from unauthorized use or disposition, the key elements are described below : -

- Formal Group Organisation Structure defines clearly the framework on line of reporting and hierarchy of authority and the Group's core activities are managed by segregation into different strategic business groups.



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

### **Internal Control System (cont'd)**

- Group Policies and Procedures Manuals on Financial, Human Resource and Sales and Operations are adopted and laid down the objectives, scopes, policies and operating procedures to be complied by business units.
- Clearly defined authorisation limits at appropriate management levels are set out in a Financial Authority Matrix for controlling and approving capital and revenue expenditures.
- Budgetary control system is in place to establish the responsibilities and accountabilities of each business unit in term of resources employed, control over costs and expenses and for measuring the business unit's overall financial performance. The budgets are approved by the EXCO.
- Individual companies with active business operations hold monthly management meeting to review the financial performance, business overview, direction and development with senior management staff at corporate level.
- Executive Directors hold weekly EXCO meeting to discuss and resolve any major issues arising from business operations and plan for corrective actions.
- Internal Audit Department is established and report directly to ARMC and is assigned with tasks to assist the Committee in discharging its duties and responsibilities.
- Regular internal audit visits to business units are carried out by Internal Audit Department to ensure compliance of Group Policies and Procedures and to review effectiveness of the existing internal control systems.
- Internal control issues noted are tabled for discussion and resolution in business unit's monthly management meeting and presented in operational review meeting at corporate level. Improvements in existing policies and procedures or implementation of new policies and procedures are carried out when needed to keep in pace with the evolving business environment.
- ARMC and Board of Directors hold quarterly meeting to discuss on internal audit reports, periodic financial statements and issues that warrant the Committee's and Board's attentions.

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

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

This Statement is made in accordance with the resolution of the Board of Directors dated 10 October 2016.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## COMPOSITION AND DESIGNATION

### Members of the Committee

1. **Khaw Eng Peng**  
*Chairman, Senior Independent and Non-executive Director*
2. **Dr. Mohamad Zabdi Bin Zamrod**  
*Independent and Non-executive Director*
3. **Koay Ah Bah @ Koay Cheng Hock**  
*Non-independent and Non-executive Director*

### Secretaries to the Committee

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

## TERMS OF REFERENCE

The Terms of Reference of Audit and Risk Management Committee ("Committee") is available at Kobay's website, [www.kobaytech.com](http://www.kobaytech.com).

## MEETINGS

The Committee met four times in the financial year ended 30 June 2016. The meetings were convened in a structured manner by formal notice of meeting on meeting agenda and reports being sent to Committee members at least 7 days before the meeting date. Meeting minutes recorded by Committee Secretary and confirmed by Committee Chairman were presented in the following meeting for adoption. The Chief Financial Officer, Head of Internal Audit Department and External Auditors were invited to attend the meeting to provide insights and advice on the reports discussed. Details of meeting attendance were as follows:

Name of Committee Members	Attendance
Khaw Eng Peng	4/4
Dr. Mohamad Zabdi Bin Zamrod	4/4
Koay Ah Bah @ Koay Cheng Hock	4/4

## SUMMARY OF WORK OF THE COMMITTEE

During the financial year, the Committee had :

1. Reviewed with External Auditors the Audit Review Memorandum on financial statements for financial year ended 30 June 2015. It covered areas on accounting and audit issues noted during the course of audit, compliance of considerations required under International Standards of Auditing and summary of adjustments to financial statements. There was no major item highlighted in relation to management judgments and estimates that affecting the financial statements. The annual financial statements were then submitted to Board for their consideration and approval for the purpose of announcement to Bursa Malaysia Securities Berhad and Annual Report.
2. Noted the written declaration provided by External Auditors on their independence in accordance with the relevant professional and regulatory requirements with regards to audit of the Group's financial statements for year ended 30 June 2015.
3. Reviewed management response on the External Auditors' Report on Deficiencies in Internal Control for financial year ended 30 June 2015. Internal Audit Department has been requested to carry out follow up audit to ensure corrective actions are in practice.
4. Reviewed quarterly unaudited results with the Chief Financial Officer and obtained clarification on significant financial matters and judgments before submission to Board for consideration and approval for the purpose of announcement to Bursa Malaysia Securities Berhad.
5. Reviewed Quarterly Internal Audit Department Report presented by Internal Auditors. The audit works carried out during the quarter, corrective actions provided by management on audit findings were discussed and adopted by the Committee members.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

### SUMMARY OF WORK OF THE COMMITTEE (CONT'D)

6. Reviewed report presented by Internal Auditors on related party transactions on quarterly basis. Related party and recurrent related party transactions transacted in the quarter were reviewed for compliance of reporting procedures by business units, approving authority matrix, conflict of interest situation and Listing Requirements.
7. Reviewed Quarterly Risk Management Report presented by Chief Financial Officer on behalf of Risk Management Committee. Activities carried out in the quarter and progress status update of high risk items identified in annual risk management review were reported to the Committee. The annual internal audit report on compliance review of policies and procedure as stated in Group Risk Management Framework on the Group's risk management activities carried out in financial year was also tabled for Committee members' notation.
8. Reviewed External Auditors' Audit Planning Memorandum for financial year ended 30 June 2016. It covered on engagement and reporting requirements, audit approach, areas of audit emphasis, auditing and financial reporting standards updates, amendment in Listing Requirements, engagement team particulars and timetable for audit and issuance of audit report. There was no new auditing and financial reporting standards that became effective that will affect the Group preparation of its financial statements for year ended 30 June 2016.
9. Adopted Internal Audit Plan for financial year ending 30 June 2017 presented by the Internal Auditors. The audit activities were planned based on risk-based approach whereby emphasis given on core business units and audit areas covered determined by respective unit's key risk areas, business nature and past audit experiences. The Plan also covered review of related party transactions and risk management activities carried out in the Group.
10. Reviewed Statement on Risk Management and Internal Control, and Audit and Risk Management Committee Report for disclosure in Annual Report.
11. Reviewed Semi-annual Returns before submission to Board for approval for the purpose of submission to Bursa Malaysia Securities Berhad.
12. Reviewed the performance and work carried out by the External Auditors, Messrs. Crowe Horwath for their suitability before recommendation of re-appointment in the incoming year. The areas taken into considerations include firm's reputation, response and advice provided, timeliness of audit report issuance, co-operation with management, non-audit works provided to the Group, their independence and objectivity which is strengthened by rotation of engagement partner. As for the evaluation of Internal Auditors' job performance, it was carried out via Performance Evaluation Form approved by Committee Chairman.
13. Held 2 dialogue sessions on 26 August 2015 and 26 May 2016 with the external auditors together with internal auditors to discuss on any issues affecting them in discharging their duties and responsibilities without the present of Executive Directors. There was no major areas of concern identified by the auditors that warrant the Committee attention and further elaboration.

### SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Department, which reports directly to the Committee and assists in discharging its functions and duties. The internal audit function is independent of operational activities and has its own service charter to ensure the internal audit activities are performed with impartiality, proficiency and due professional care. The costs incurred for internal audit function in financial year ended 30 June 2016 amounted to RM136,955.

During the financial year, Internal Audit Department has carried out the following activities :

1. Conducted compliance, operational and financial audits covering Group Policies and Procedures Manual and internal control systems. The areas audited were payroll processing, financial year-end inventory count, inventory management covering aging analysis and provision for obsolete and excess inventory, consignment arrangements with customers and suppliers, consumable tools' purchase control system, composition of accrual and prepayment accounts, accuracy of Key Performance Indices reporting, internal control system on payment processing in property development division and compliance with submission regulations of Goods and Services Tax Act.
2. Issued audit reports to business units' management and obtained their corrective actions on audit findings raised. The audit reports were tabled for discussion in business unit's management meeting and adoption of corrective actions. The reports were then presented in operations review meeting at holding company level with Executive Directors presence and in the quarterly Committee meeting.
3. Conducted follow-up audits to ensure corrective actions in internal and external auditors' reports are in-practiced in business operations.
4. Reviewed the related party transactions transacted during the financial year on quarterly basis and reported to Committee.
5. Reviewed risk management activities carried out in the Group for compliance with laid down policies and procedures as stated in Group Risk Management Framework Manual and reported to Committee.

## DIRECTORS' RESPONSIBILITIES STATEMENT

Pursuant to Chapter 15 to the Listing Requirements of Bursa Malaysia Securities Berhad, the Board wishes to issue a statement explaining their responsibilities for preparing the annual audited financial statements.

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

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

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

The Board of Directors are responsible for ensuring that proper accounting records are kept of which financial position of the Company and the Group were disclosed with reasonable accuracy at any time. The Board of Directors has generally taking such steps that are reasonably available to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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

The Statement is made in accordance with the resolution of Board of Directors dated 10 October 2016.

## OTHER INFORMATION

### UTILISATION OF PROCEEDS

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

### AUDIT AND NON-AUDIT FEES

For the financial year under review, the amount of audit fees paid or payable to the Group's external auditors amounted to RM30,000 and RM196,167 respectively for the Company and the Group. Other than the RM1,000 of non-audit fees paid by the Company to the Group's external auditors, there is no other non-audit fees paid or payable to the external auditors.

### MATERIAL CONTRACTS

There are no material contracts of the Company and its subsidiaries being entered into for which involving the interest of the Directors, Chief Executive who is not a Director or major shareholders since the end of the previous financial year and still subsisting at the end of the financial year.

### RECURRENT RELATED PARTY TRANSACTIONS

Shareholders' mandate was not procured for recurrent related party transactions entered into during financial year ended 30 June 2016. The amounts transacted during the financial year were within the threshold as prescribed by Bursa Malaysia Securities Berhad's Listing Requirements and no announcement was made.

### EMPLOYEES SHARE OPTION SCHEME

The Company's Employees Share Option Scheme ("ESOS") has been approved by the members during the Extraordinary General Meeting held on 9 December 2015 and became effective on 19 April 2016 and shall be valid for a duration of 10 years from the effective date.

There are no options being granted to any employees of the Group since implementation during the financial year ended 30 June 2016.

# FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2016.

### 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 8 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 for the financial year attributable to:-		
- Owners of the Company	4,458,111	22,119,129
- Non-controlling interests	518,824	0
	<u>4,976,935</u>	<u>22,119,129</u>

### DIVIDENDS

During the financial year, the Company paid a final single tier dividend of 3 sen per share amounting to RM2,031,023 in respect of the financial year ended 30 June 2015.

No dividends were proposed, declared or paid by the Company in respect of the financial year ended 30 June 2016.

### 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

During the financial year, the Company reissued 546,700 treasury shares by re-sale in the open market for a total cash consideration of RM1,332,492.

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

### SHARE OPTIONS

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 9 December 2015, approved the Employees' Share Option Scheme ("ESOS") of the Company. The ESOS became effective on 19 April 2016 and shall be valid for a duration of 10 years from the effective date. The Company has yet to grant any options under the ESOS as at 30 June 2016.

### 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.

## DIRECTORS' REPORT (CONT'D)

### PURCHASE OF OWN SHARES (CONT'D)

The renewal mandate given by the shareholders at the Annual General Meeting held on 9 December 2015 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.

### 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

Other than the impairment loss on loans and receivables amounting to RM3,400,000 as disclosed in Note 10 to the financial statements, the results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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



## DIRECTORS' REPORT (CONT'D)

### DIRECTORS OF THE COMPANY

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

Dato' Koay Hean Eng  
Koay Cheng Lye  
Koay Ah Bah @ Koay Cheng Hock  
Lim Swee Chuan  
Dr. Mohamad Zabdi Bin Zamrod  
Khaw Eng Peng

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

Name of Director	Number Of Ordinary Shares Of RM1.00 Each					
	Direct Interest			Deemed Interest		
	At 1.7.2015	Bought	Sold	At 30.6.2016	At 1.7.2015	At 30.6.2016
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

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 25 to the financial statements.

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

### AUDITORS

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

**Signed In Accordance With A Resolution Of The Directors**  
**Dated 23 September 2016**

**Dato' Koay Hean Eng**

**Lim Swee Chuan**

## STATEMENT BY DIRECTORS

We, Dato' Koay Hean Eng and Lim Swee Chuan, being two of the directors of Kobay Technology Bhd., do hereby state that in the opinion of the directors, the financial statements set out on pages 42 to 86 give a true and fair view of the financial position of the Group and the Company as at 30 June 2016 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 87 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed In Accordance With A Resolution Of The Directors**  
**Dated 23 September 2016**

**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 42 to 86 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Lim Swee Chuan  
at Georgetown in the State of Penang on this 23 September 2016

**Lim Swee Chuan**

Before me  
**Mok Cheng Yoon**  
**No. P140**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kobay Technology Bhd., which comprise the statements of financial position as at 30 June 2016 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 42 to 86.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2016 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 8 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 87 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

### OTHER MATTERS

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

#### **Crowe Horwath**

Firm No: AF 1018

Chartered Accountants

#### **Eddy Chan Wai Hun**

Approval No : 2182/10/17(J)

Chartered Accountant

Date: 23 September 2016

Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 RM	2015 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	<b>60,460,443</b>	62,320,725
Investment properties	5	<b>2,024,731</b>	2,049,068
Land held for property development	6	<b>37,698,509</b>	40,381,698
Intangible assets	7	<b>281,511</b>	250,435
		<b>100,465,194</b>	105,001,926
CURRENT ASSETS			
Property development costs	6	<b>10,387,744</b>	0
Inventories	9	<b>14,588,904</b>	13,968,765
Receivables	10	<b>25,005,550</b>	23,974,222
Financial assets at fair value through profit or loss	11	<b>10,750</b>	0
Prepayments		<b>2,239,344</b>	1,404,690
Current tax assets		<b>213,378</b>	238,970
Cash and cash equivalents	12	<b>29,343,765</b>	28,018,376
		<b>81,789,435</b>	67,605,023
CURRENT LIABILITIES			
Payables	13	<b>20,886,667</b>	19,979,955
Loans and borrowings	14	<b>2,046,275</b>	1,236,770
Progress billings		<b>1,399,629</b>	0
Advance payments from customers		<b>0</b>	24,813
Current tax liabilities		<b>232,381</b>	387,342
		<b>24,564,952</b>	21,628,880
NET CURRENT ASSETS		<b>57,224,483</b>	45,976,143
NON-CURRENT LIABILITIES			
Loans and borrowings	14	<b>9,377,683</b>	9,506,885
Deferred tax liabilities	15	<b>4,342,333</b>	3,869,536
Deferred income on government grants	16	<b>1,977,566</b>	0
		<b>15,697,582</b>	13,376,421
NET ASSETS		<b>141,992,095</b>	137,601,648
EQUITY			
Share capital	17	<b>68,080,750</b>	68,080,750
Treasury shares	17	<b>(221,473)</b>	(888,447)
Share premium		<b>2,345,604</b>	1,680,086
Capital reserve		<b>1,550,000</b>	1,550,000
Currency translation reserve		<b>235,937</b>	132,748
Retained profits		<b>68,334,148</b>	65,907,060
Equity attributable to owners of the Company		<b>140,324,966</b>	136,462,197
Non-controlling interests	18	<b>1,667,129</b>	1,139,451
TOTAL EQUITY		<b>141,992,095</b>	137,601,648

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 RM	2015 RM
Revenue	19	<b>104,750,051</b>	113,918,715
Cost of sales		<b>(75,554,797)</b>	(84,378,238)
Gross profit		<b>29,195,254</b>	29,540,477
Other income		<b>5,895,979</b>	4,868,115
Administrative and general expenses		<b>(22,595,905)</b>	(16,078,354)
Selling and distribution expenses		<b>(4,736,770)</b>	(4,020,253)
Finance costs		<b>(179,011)</b>	(124,901)
Profit before tax	20	<b>7,579,547</b>	14,185,084
Tax expense	22	<b>(2,602,612)</b>	(3,157,057)
Profit for the financial year		<b>4,976,935</b>	11,028,027
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Loss on available-for-sale financial assets		<b>0</b>	(27,059)
- Currency translation differences for foreign operations		<b>172,043</b>	588,083
- Reclassification adjustments on:-			
- Derecognition of available-for-sale financial assets		<b>0</b>	34,384
- Disposal of foreign operation		<b>0</b>	(1,850,547)
Other comprehensive income for the financial year		<b>172,043</b>	(1,255,139)
Total comprehensive income for the financial year		<b>5,148,978</b>	9,772,888
Profit for the financial year attributable to:-			
- Owners of the Company		<b>4,458,111</b>	10,636,215
- Non-controlling interests	18	<b>518,824</b>	391,812
		<b>4,976,935</b>	11,028,027
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		<b>4,561,300</b>	9,363,937
- Non-controlling interests		<b>587,678</b>	408,951
		<b>5,148,978</b>	9,772,888
Earnings per share:-	23		
- Basic (sen)		<b>6.57</b>	15.79
- Diluted (sen)		<b>6.57</b>	15.79

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Non-distributable					Distributable		Equity attributable to owners of the Company		Non-controlling interests		Total RM
	Share capital RM	Treasury shares RM	Share premium RM	Capital reserve RM	Fair value reserve RM	Currency translation reserve RM	Retained profits RM	Company RM	RM	RM	RM	
Balance at 1 July 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
Loss on available-for-sale financial assets	0	0	0	0	(27,059)	0	0	(27,059)	0			(27,059)
Currency translation differences for foreign operations	0	0	0	0	0	570,944	0	570,944	17,139			588,083
Reclassification adjustments on:-												
- Derecognition of available-for-sale financial assets	0	0	0	0	34,384	0	0	34,384	0			34,384
- Disposal of foreign operation	0	0	0	0	0	(1,850,547)	0	(1,850,547)	0			(1,850,547)
Other comprehensive income for the financial year	0	0	0	0	7,325	(1,279,603)	0	(1,272,278)	17,139			(1,255,139)
Profit for the financial year	0	0	0	0	0	0	10,636,215	10,636,215	391,812			11,028,027
Total comprehensive income for the financial year	0	0	0	0	7,325	(1,279,603)	10,636,215	9,363,937	408,951			9,772,888
Balance carried forward	68,080,750	(888,447)	1,680,086	1,753,734	0	132,748	67,753,152	138,512,023	1,171,284			139,683,307

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Non-distributable					Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total
	Share capital	Treasury shares	Share premium	Capital reserve	Fair value reserve	Currency translation reserve	Retained profits	Company			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance brought forward	68,080,750	(888,447)	1,680,086	1,753,734	0	132,748	67,753,152	138,512,023	1,171,284	139,683,307	
Dividend to owners of the Company (Note 24)	0	0	0	0	0	0	(2,020,577)	(2,020,577)	0	(2,020,577)	
Dividends to non-controlling interests	0	0	0	0	0	0	0	0	(31,082)	(31,082)	
Distributions to owners	0	0	0	0	0	0	(2,020,577)	(2,020,577)	(31,082)	(2,051,659)	
Change in ownership interest in subsidiary	0	0	0	0	0	0	(29,249)	(29,249)	(751)	(30,000)	
Total transactions with owners	0	0	0	0	0	0	(2,049,826)	(2,049,826)	(31,833)	(2,081,659)	
Transfer of capital reserve upon disposal of subsidiary	0	0	0	(203,734)	0	0	203,734	0	0	0	
Balance at 30 June 2015	68,080,750	(888,447)	1,680,086	1,550,000	0	132,748	65,907,060	136,462,197	1,139,451	137,601,648	

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Non-distributable				Distributable		Equity attributable to owners of the Company		Non controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Fair value reserve	Currency translation reserve	Retained profits	Company		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 July 2015	68,080,750	(388,447)	1,680,086	1,550,000	0	132,748	65,907,060	136,462,197	1,139,451	137,601,648
Profit for the financial year	0	0	0	0	0	0	4,458,111	4,458,111	518,824	4,976,935
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	0	0	0	103,189	0	103,189	68,854	172,043
Total comprehensive income for the financial year	0	0	0	0	0	103,189	4,458,111	4,561,300	587,678	5,148,978
Reissue of treasury shares	0	666,974	665,518	0	0	0	0	1,332,492	0	1,332,492
Dividend to owners of the Company (note 24)	0	0	0	0	0	0	(2,031,023)	(2,031,023)	0	(2,031,023)
Dividends to non-controlling interests	0	0	0	0	0	0	0	0	(60,000)	(60,000)
Total transactions with owners	0	666,974	665,518	0	0	0	(2,031,023)	(698,531)	(60,000)	(758,531)
Balance at 30 June 2016	68,080,750	(221,473)	2,345,604	1,550,000	0	235,937	68,334,148	140,324,966	1,667,129	141,992,095

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>7,579,547</b>	14,185,084
Adjustments for:-			
Amortisation of deferred income on government grants		<b>(208,619)</b>	0
Depreciation of investment properties		<b>24,337</b>	22,308
Depreciation of property, plant and equipment		<b>5,786,340</b>	5,387,743
Dividend income		<b>0</b>	(2,000)
(Gain)/Loss on disposal of property, plant and equipment		<b>(2,405,073)</b>	9,713
Gain on disposal of subsidiary		<b>0</b>	(1,762,234)
Impairment loss on loans and receivables		<b>3,599,995</b>	37,985
Interest expense		<b>179,011</b>	124,901
Interest income		<b>(330,683)</b>	(531,021)
Inventories written down		<b>0</b>	165,782
Loss on derecognition of available-for-sale financial assets		<b>0</b>	34,384
Property, plant and equipment written off		<b>12,437</b>	78,553
Reversal of impairment loss on loans and receivables		<b>(8,345)</b>	(40,461)
Unrealised gain on financial instruments at fair value through profit or loss		<b>(10,750)</b>	0
Unrealised gain on foreign exchange		<b>(7,924)</b>	0
Operating profit before working capital changes		<b>14,210,273</b>	17,710,737
Changes in:-			
Property development costs		<b>(1,139,765)</b>	0
Inventories		<b>(620,139)</b>	(3,755,068)
Receivables and prepayments		<b>(5,307,022)</b>	(8,445,204)
Payables and advance payments		<b>889,213</b>	2,301,696
Progress billings		<b>1,399,629</b>	0
Cash generated from operations		<b>9,432,189</b>	7,812,161
Tax paid		<b>(2,954,672)</b>	(2,861,570)
Tax refunded		<b>691,254</b>	448,681
Net cash from operating activities		<b>7,168,771</b>	5,399,272
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, net of cash acquired		<b>(8,047)</b>	(3,576)
Additions to land held for property development		<b>(6,564,790)</b>	(9,791,033)
Disposal of subsidiary, net of cash disposed of		<b>0</b>	4,553,705
Dividends received		<b>0</b>	2,000
Down payment for purchase of investment properties		<b>(150,000)</b>	0
Grants received		<b>2,186,185</b>	0
Interest received		<b>330,683</b>	531,021
Proceeds from disposal of available-for-sale financial assets		<b>0</b>	90,141
Proceeds from disposal of property, plant and equipment		<b>7,460,329</b>	1,811,180
Purchase of investment properties		<b>0</b>	(1,471,376)
Purchase of property, plant and equipment		<b>(8,978,893)</b>	(5,719,680)
Net cash used in investing activities		<b>(5,724,533)</b>	(9,997,618)

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of shares from non-controlling interests		0	(30,000)
Dividend paid to owners of the Company		(2,031,023)	(2,020,577)
Dividends paid to non-controlling interests		(60,000)	(31,082)
Increase in short-term loans and borrowings (net)		975,775	0
Interest paid		(179,011)	(124,901)
Placement of term deposits pledged as security		(1,856,308)	(322,059)
Reissue of treasury shares		1,332,492	0
Repayment of term loans		(1,595,472)	(1,645,243)
Term loan raised		1,300,000	0
Net cash used in financing activities		(2,113,547)	(4,173,862)
Currency translation differences		138,390	311,202
Net decrease in cash and cash equivalents		(530,919)	(8,461,006)
Cash and cash equivalents brought forward		27,277,804	35,738,810
Cash and cash equivalents carried forward	12	<u>26,746,885</u>	<u>27,277,804</u>

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

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2016

	Note	2016 RM	2015 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	<b>486,529</b>	168,140
Investments in subsidiaries	8	<b>89,989,277</b>	74,689,518
		<b>90,475,806</b>	74,857,658
CURRENT ASSETS			
Receivables	10	<b>13,279,101</b>	1,378,820
Prepayments		<b>26,570</b>	212,518
Cash and cash equivalents	12	<b>11,165,143</b>	16,379,205
		<b>24,470,814</b>	17,970,543
CURRENT LIABILITIES			
Payables	13	<b>1,591,410</b>	1,484,998
Loans and borrowings	14	<b>430,900</b>	349,889
		<b>2,022,310</b>	1,834,887
NET CURRENT ASSETS		<b>22,448,504</b>	16,135,656
NON-CURRENT LIABILITIES			
Loans and borrowings	14	<b>8,982,398</b>	8,472,000
NET ASSETS		<b>103,941,912</b>	82,521,314
EQUITY			
Share capital	17	<b>68,080,750</b>	68,080,750
Treasury shares	17	<b>(221,473)</b>	(888,447)
Share premium		<b>2,345,604</b>	1,680,086
Retained profits		<b>33,737,031</b>	13,648,925
TOTAL EQUITY		<b>103,941,912</b>	82,521,314

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

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 RM	2015 RM
Revenue	19	<b>15,378,740</b>	7,241,197
Other income		<b>14,580,701</b>	376,415
Administrative and general expenses		<b>(7,718,719)</b>	(3,870,600)
Finance costs		<b>(115,036)</b>	(9,183)
Profit before tax	20	<b>22,125,686</b>	3,737,829
Tax expense	22	<b>(6,557)</b>	0
Profit for the financial year		<b>22,119,129</b>	3,737,829
Other comprehensive income for the financial year		<b>0</b>	0
Total comprehensive income for the financial year		<b>22,119,129</b>	3,737,829

The annexed notes form an integral part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Share capital RM	Treasury shares RM	Non-distributable		Distributable		Total equity RM
			Share premium RM	Retained profits RM			
Balance at 1 July 2014	68,080,750	(888,447)	1,680,086	11,931,673			80,804,062
Profit (representing total comprehensive income) for the financial year	0	0	0	3,737,829			3,737,829
Dividend (representing total transactions with owners) (Note 24)	0	0	0	(2,020,577)			(2,020,577)
Balance at 30 June 2015	68,080,750	(888,447)	1,680,086	13,648,925			82,521,314
Profit (representing total comprehensive income) for the financial year	0	0	0	22,119,129			22,119,129
Reissue of treasury shares	0	666,974	665,518	0			1,332,492
Dividend (Note 24)	0	0	0	(2,031,023)			(2,031,023)
Total transactions with owners	0	666,974	665,518	(2,031,023)			(698,531)
Balance at 30 June 2016	68,080,750	(221,473)	2,345,604	33,737,031			103,941,912

The annexed notes form an integral part of these financial statements

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>22,125,686</b>	3,737,829
Adjustments for:-			
Depreciation of property, plant and equipment		<b>101,289</b>	65,430
Dividend income		<b>(14,094,957)</b>	(5,794,220)
Gain on disposal of property, plant and equipment		<b>0</b>	(9,998)
Gain on disposal of subsidiaries		<b>(13,996,467)</b>	0
Impairment loss on loans and receivables		<b>3,400,000</b>	0
Interest expense		<b>115,036</b>	9,183
Interest income		<b>(362,115)</b>	(363,844)
Property, plant and equipment written off		<b>1,384</b>	16
Reversal of impairment loss on loans and receivables		<b>(205,761)</b>	0
Operating loss before working capital changes		<b>(2,915,905)</b>	(2,355,604)
Changes in:-			
Receivables and prepayments		<b>188,947</b>	(125,128)
Payables		<b>106,412</b>	(4,622)
Cash absorbed by operations		<b>(2,620,546)</b>	(2,485,354)
Tax paid		<b>(6,557)</b>	0
Net cash used in operating activities		<b>(2,627,103)</b>	(2,485,354)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries		<b>(3,296)</b>	(3,580)
Additional investments in subsidiaries		<b>(1,299,996)</b>	(30,000)
Dividends received		<b>14,094,957</b>	5,794,220
Interest received		<b>362,115</b>	363,844
Net advance to subsidiaries		<b>(15,097,519)</b>	(8,133,866)
Proceeds from disposal of property, plant and equipment		<b>744</b>	10,000
Purchase of property, plant and equipment		<b>(421,806)</b>	(33,107)
Net cash used in investing activities		<b>(2,364,801)</b>	(2,032,489)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<b>(2,031,023)</b>	(2,020,577)
Interest paid		<b>(115,036)</b>	(9,183)
Reissue of treasury shares		<b>1,332,492</b>	0
Repayment of term loans		<b>(708,591)</b>	(746,443)
Term loan raised		<b>1,300,000</b>	0
Net cash used in financing activities		<b>(222,158)</b>	(2,776,203)
Net decrease in cash and cash equivalents		<b>(5,214,062)</b>	(7,294,046)
Cash and cash equivalents brought forward		<b>16,371,205</b>	23,665,251
Cash and cash equivalents carried forward	12	<b>11,157,143</b>	16,371,205

The annexed notes form an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 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 8.

The registered office and principal place of business of the Company are located at 3rd Floor, Wisma Kobay, 42B Jalan Rangoon, 10400 Georgetown, Penang.

The consolidated financial statements set out on pages 42 to 48 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 49 to 52 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 23 September 2016.

### 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.

There were no new FRSs that became effective for the financial year under review.

#### 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> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
FRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 10 and FRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to FRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to FRS 116 and FRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRSs contained in the document entitled " <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i> "	1 January 2016



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Future Accounting Standards (cont'd)

#### Financial Reporting Standards (Cont'd)

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 Financial Instruments, which replaces FRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by FRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under FRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

#### Malaysian Financial Reporting Standards

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

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate*, including their parents, significant investors and joint venturers ("Transitioning Entities"). As announced by the MASB on 28 October 2015, Transitioning Entities are allowed to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2018.

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 2019. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of Consolidation (cont'd)

(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 2.9. 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 2.9.

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

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

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

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

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 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

Freehold land is not depreciated. Buildings are depreciated on a straight-line basis over their estimated useful lives of 50 years.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Property Development Activities

Land held for property development is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. 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.

Property development revenue comprises the selling price agreed in the sale and purchase agreement and any additional revenue due to variation in development work. Property development costs comprise costs associated with the acquisition of land, costs related directly to a specific development project and other costs attributable to development activities in general and can be allocated to the project.

When the outcome of a development activity can be estimated reliably, property development revenue and costs attributable to the development units sold are recognised in profit or loss by reference to the stage of completion of the development activity at the end of the reporting period. The stage of completion is determined by reference to the proportion that property development costs incurred to date bear to the estimated total costs.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised in profit or loss only to the extent of property development costs incurred that are probable to be recoverable whereas property development costs attributable to the development units sold are recognised in profit or loss in the period in which they are incurred. Any expected loss on a development project is recognised in profit or loss immediately.

### 2.7 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 2.9.

### 2.8 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 2.9.

### 2.9 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.

### 2.10 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Financial Assets

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

#### Recognition and Measurement

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

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

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

#### (ii) Loans and receivables

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

#### (iii) Available-for-sale financial assets

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

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

#### Impairment

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

#### (i) Financial assets carried at amortised cost

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Financial Assets (cont'd)

#### Impairment (cont'd)

#### (ii) Available-for-sale financial assets

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

### 2.12 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.

### 2.13 Foreign Currency Transactions and Translation

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Foreign Currency Transactions and Translation (cont'd)

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

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

### 2.14 Share Capital

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

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is adjusted to share premium.

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

### 2.15 Fair Value Measurement

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Fair Value Measurement (cont'd)

#### Financial Assets and Financial Liabilities

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

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

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

### 2.16 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.

### 2.17 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.

### 2.18 Employee Benefits

#### Short-term Employee Benefits

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

#### Defined Contribution Plans

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

### 2.19 Borrowing Costs

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Income Taxes

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

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

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

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

### 2.21 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

### Judgements Made in Applying Accounting Policies

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

### Sources of Estimation Uncertainty

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

#### Allowance for inventories

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

#### Impairment of loans and receivables

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



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 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 2014	45,035,761	6,358,688	87,351,325	7,601,193	1,140,978	2,163,282	791,791	150,443,018
Additions	35,950	221,905	4,841,962	518,308	40,555	61,000	0	5,719,680
Disposals/Write-offs	0	0	(12,802,490)	(1,041,829)	0	(549,837)	(17,041)	(14,411,197)
Disposal of subsidiary	0	(1,793,543)	(4,466,174)	(224,068)	0	(205,756)	0	(6,689,541)
Reclassifications	0	124,908	107,550	0	0	0	(232,458)	0
Currency translation differences	0	118,645	714,863	28,162	0	13,568	0	875,238
Balance at 30 June 2015	45,071,711	5,030,603	75,747,036	6,881,766	1,181,533	1,482,257	542,292	135,937,198
<u>Representing:-</u>								
- Cost	34,627,711	5,030,603	75,747,036	6,881,766	1,181,533	1,482,257	542,292	125,493,198
- Valuation	10,444,000	0	0	0	0	0	0	10,444,000
	45,071,711	5,030,603	75,747,036	6,881,766	1,181,533	1,482,257	542,292	135,937,198
<u>Balance at 1 July 2015</u>	45,071,711	5,030,603	75,747,036	6,881,766	1,181,533	1,482,257	542,292	135,937,198
Additions	27,720	1,171,283	6,079,737	1,214,573	18,876	86,070	380,634	8,978,893
Disposals/Write-offs	(5,708,831)	0	(613,478)	(188,283)	(20,000)	0	0	(6,530,592)
Reclassifications	0	2,250	0	0	0	0	(2,250)	0
Currency translation differences	0	9,931	384	33,511	0	0	0	43,826
Balance at 30 June 2016	39,390,600	6,214,067	81,213,679	7,941,567	1,180,409	1,568,327	920,676	138,429,325
<u>Representing:-</u>								
- Cost	28,946,600	6,214,067	81,213,679	7,941,567	1,180,409	1,568,327	920,676	127,985,325
- Valuation	10,444,000	0	0	0	0	0	0	10,444,000
	39,390,600	6,214,067	81,213,679	7,941,567	1,180,409	1,568,327	920,676	138,429,325

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 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 2014	9,143,024	3,263,857	64,430,721	4,829,526	813,881	1,573,252	0	84,054,261
Accumulated depreciation	0	0	904,252	100,846	79,030	34,332	127,220	1,245,680
Accumulated impairment losses	9,143,024	3,263,857	65,334,973	4,930,372	892,911	1,607,584	127,220	85,299,941
Depreciation	851,928	386,097	3,380,480	561,149	41,150	166,939	0	5,387,743
Disposals/Write-offs	0	0	(10,946,437)	(1,016,474)	0	(548,840)	0	(12,511,751)
Disposal of subsidiary	0	(1,666,274)	(3,257,117)	(184,856)	0	(58,192)	0	(5,166,439)
Currency translation differences	0	110,190	473,799	19,153	0	3,837	0	606,979
Balance at 30 June 2015	9,994,952	2,093,870	54,381,446	4,208,498	855,031	1,136,996	0	72,670,793
Accumulated depreciation	0	0	604,252	100,846	79,030	34,332	127,220	945,680
Accumulated impairment losses	9,994,952	2,093,870	54,985,698	4,309,344	934,061	1,171,328	127,220	73,616,473
Depreciation	830,721	407,437	3,629,356	705,111	36,638	177,077	0	5,786,340
Disposals/Write-offs	(1,111,000)	0	(189,338)	(157,565)	(4,996)	0	0	(1,462,899)
Currency translation differences	0	7,913	89	20,966	0	0	0	28,968
Balance at 30 June 2016	9,714,673	2,509,220	57,821,553	4,777,019	887,914	1,314,073	0	77,024,452
Accumulated depreciation	0	0	604,252	100,837	77,789	34,332	127,220	944,430
Accumulated impairment losses	9,714,673	2,509,220	58,425,805	4,877,856	965,703	1,348,405	127,220	77,968,882
<u>Carrying Amount</u>								
Balance at 1 July 2014	35,892,737	3,094,831	22,016,352	2,670,821	248,067	555,698	664,571	65,143,077
Balance at 30 June 2015	35,076,759	2,936,733	20,761,338	2,572,422	247,472	310,929	415,072	62,320,725
Balance at 30 June 2016	29,675,927	3,704,847	22,787,874	3,063,711	214,706	219,922	793,456	60,460,443

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 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 2014	4,161,603	900,000	9,311,794	30,698,314	45,035,761
Additions	0	0	0	35,950	35,950
Balance at 30 June 2015	4,161,603	900,000	9,311,794	30,698,314	45,071,711
Representing:-					
- Cost	4,161,603	900,000	5,677,794	23,888,314	34,627,711
- Valuation	0	0	3,634,000	6,810,000	10,444,000
	4,161,603	900,000	9,311,794	30,698,314	45,071,711
Balance at 1 July 2015	4,161,603	900,000	9,311,794	30,698,314	45,071,711
Additions	0	0	0	27,720	27,720
Disposals	0	0	(1,800,000)	(3,908,831)	(5,708,831)
Balance at 30 June 2016	4,161,603	900,000	7,511,794	26,817,203	39,390,600
Representing:-					
- Cost	4,161,603	900,000	3,877,794	20,007,203	28,946,600
- Valuation	0	0	3,634,000	6,810,000	10,444,000
	4,161,603	900,000	7,511,794	26,817,203	39,390,600
<u>Accumulated Depreciation</u>					
Balance at 1 July 2014	0	256,898	2,647,798	6,238,328	9,143,024
Depreciation	0	11,220	182,176	658,532	851,928
Balance at 30 June 2015	0	268,118	2,829,974	6,896,860	9,994,952
Depreciation	0	11,220	175,239	644,262	830,721
Disposals	0	0	(350,268)	(760,732)	(1,111,000)
Balance at 30 June 2016	0	279,338	2,654,945	6,780,390	9,714,673
<u>Carrying Amount</u>					
Balance at 1 July 2014	4,161,603	643,102	6,663,996	24,424,036	35,892,737
Balance at 30 June 2015	4,161,603	631,882	6,481,820	23,801,454	35,076,759
Balance at 30 June 2016	4,161,603	620,662	4,856,849	20,036,813	29,675,927

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 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:-

	<b>The Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Short-term leasehold land	<b>3,346,529</b>	4,928,348
Buildings	<b>19,146,290</b>	22,885,487
	<b>22,492,819</b>	27,813,835

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

	<b>The Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Short-term leasehold land	<b>2,567,202</b>	1,052,278
Buildings	<b>11,118,733</b>	5,772,466
	<b>13,685,935</b>	6,824,744

<b>The Company</b>	<b>Renovation</b>	<b>Furniture, fittings and office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Cost</u>				
Balance at 1 July 2014	43,735	694,072	542,168	1,279,975
Additions	0	33,107	0	33,107
Disposals/Write-offs	0	(6,926)	(540,368)	(547,294)
Balance at 30 June 2015	43,735	720,253	1,800	765,788
Additions	335,844	85,962	0	421,806
Disposals/Write-offs	0	(112,238)	0	(112,238)
Balance at 30 June 2016	379,579	693,977	1,800	1,075,356
<u>Accumulated Depreciation</u>				
Balance at 1 July 2014	43,734	493,595	542,165	1,079,494
Depreciation	0	65,430	0	65,430
Disposals/Write-offs	0	(6,910)	(540,366)	(547,276)
Balance at 30 June 2015	43,734	552,115	1,799	597,648
Depreciation	11,817	89,472	0	101,289
Disposals/Write-offs	0	(110,110)	0	(110,110)
Balance at 30 June 2016	55,551	531,477	1,799	588,827
<u>Carrying Amount</u>				
Balance at 1 July 2014	1	200,477	3	200,481
Balance at 30 June 2015	1	168,138	1	168,140
Balance at 30 June 2016	324,028	162,500	1	486,529

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 5. INVESTMENT PROPERTIES

The Group	Freehold land RM	Buildings RM	Total RM
<u>Cost</u>			
Balance at 1 July 2014	0	0	0
Additions	854,550	1,216,826	2,071,376
Balance at 30 June 2015/30 June 2016	854,550	1,216,826	2,071,376
<u>Accumulated Depreciation</u>			
Balance at 1 July 2014	0	0	0
Depreciation	0	22,308	22,308
Balance at 30 June 2015	0	22,308	22,308
Depreciation	0	24,337	24,337
Balance at 30 June 2016	0	46,645	46,645
<u>Carrying Amount</u>			
Balance at 1 July 2014	0	0	0
Balance at 30 June 2015	854,550	1,194,518	2,049,068
Balance at 30 June 2016	854,550	1,170,181	2,024,731

Management estimates that the arm's length costs of the investment properties approximate to their fair values.

### 6. PROPERTY DEVELOPMENT ACTIVITIES

#### The Group

Land Held for Property Development	2016 RM	2015 RM
Balance at 1 July	<b>40,381,698</b>	27,950,304
Additions	<b>6,564,790</b>	12,431,394
Transfer to property development costs		
- Freehold land	<b>(8,886,337)</b>	0
- Development costs	<b>(361,642)</b>	0
	<b>(9,247,979)</b>	0
Balance at 30 June	<b>37,698,509</b>	40,381,698
Represented by:-		
- Freehold land	<b>25,479,922</b>	31,744,458
- Development costs	<b>5,208,652</b>	3,481,510
- Incidental costs incurred for acquisition of land	<b>3,144,205</b>	2,000,000
- Advance payments to landowner <sup>(a)</sup>	<b>2,200,000</b>	2,000,000
- Advance payments to landowners <sup>(b)</sup>	<b>1,065,730</b>	555,730
- Incidental costs <sup>(c)</sup>	<b>600,000</b>	600,000
	<b>37,698,509</b>	40,381,698

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 6. PROPERTY DEVELOPMENT ACTIVITIES (CONT'D)

#### Land Held for Property Development (cont'd)

- (a) *Being advance payments made pursuant to a joint venture agreement ("JV1") entered into by a subsidiary with a landowner to develop a piece of leasehold land owned by the latter*
- (b) *Being advance payments made pursuant to a joint venture agreement (with option to purchase) entered into by a subsidiary with two landowners to develop two pieces of freehold land owned by the latter*
- (c) *Being incidental costs incurred for JV1*

#### The Group

Property Development Costs	2016 RM	2015 RM
Balance at 1 July	0	0
Development costs incurred during the year	1,139,765	0
Transfer from land held for property development		
- Freehold land	8,886,337	0
- Development costs	361,642	0
	9,247,979	0
Balance at 30 June	10,387,744	0

Certain freehold land with carrying amount of RM14,514,350 (2015 : NIL) has been pledged as security for credit facilities granted to the Group.

### 7. INTANGIBLE ASSETS

The Group	Goodwill RM	Intellectual property RM	Total RM
Balance at 1 July 2014	16,593	221,000	237,593
Acquisition of subsidiaries	3,576	0	3,576
Currency translation differences	647	8,619	9,266
Balance at 30 June 2015	20,816	229,619	250,435
Acquisition of subsidiaries	8,047	0	8,047
Currency translation differences	1,609	21,420	23,029
Balance at 30 June 2016	30,472	251,039	281,511

### 8. INVESTMENTS IN SUBSIDIARIES

The Company	2016 RM	2015 RM
Unquoted shares, at cost	97,491,096	82,191,337
Impairment losses	(7,501,819)	(7,501,819)
	89,989,277	74,689,518

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2016	2015	
Bend Weld Engineering Sdn. Bhd. <sup>(a)</sup>	Malaysia	0.00%	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
Kobay Assets Sdn. Bhd.	Malaysia	100.00%	100.00%	Property letting
Kobay Land Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
Kobay Project Venture Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
Kobay Sawin Sdn. Bhd.	Malaysia	100.00%	100.00%	Property letting
Kobay SCM (S) Pte. Ltd. <sup>(b)</sup>	Singapore	60.00%	60.00%	Investment holding
Kobay Systems Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
LD Global Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
Lipo Corporation Sdn. Bhd.	Malaysia	100.00%	100.00%	Investment holding
Lodge 18 Sdn. Bhd.	Malaysia	100.00%	100.00%	Hotel operation
Maker Technologies Sdn. Bhd. <sup>(a)</sup>	Malaysia	0.00%	100.00%	Manufacture of precision moulds and parts
Omni Value Chain Sdn. Bhd. <sup>(a)</sup>	Malaysia	0.00%	100.00%	Supply chain management
Polytool Technologies Sdn. Bhd. <sup>(a)</sup>	Malaysia	0.00%	100.00%	Manufacture of industrial equipment, machinery parts and tooling, encapsulation moulds, trim and form dies and progressive tooling for lead frames
Premierview Property Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
The 12 Avenues Sdn. Bhd.	Malaysia	70.00%	70.00%	Property development
Ultimate Sanctuary Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	70.00%	70.00%	Supply of engineering parts and accessories, and services to oil & gas industry
Kobay G Sdn. Bhd. (formerly known as Mihkob Development Sdn. Bhd.)	Malaysia	100.00%	0.00%	Inactive
SMU Kobay Sdn. Bhd. (formerly known as SMU Koby Sdn. Bhd.)	Malaysia	100.00%	0.00%	Property development
<u>Subsidiaries of Kobay SCM (S) Pte. Ltd.</u>				
Microhandling Asia Pte. Ltd. <sup>(b)</sup>	Singapore	59.88%	59.88%	Manufacture of semiconductor assembly and testing equipment
United Manufacturing Corporation Pte. Ltd. <sup>(b)</sup>	Singapore	0.00%	60.00%	Dissolved

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest	2016	2015	Principal Activity
<u>Subsidiaries of Lipo Corporation Sdn. Bhd.</u>					
Bend Weld Engineering Sdn. Bhd. <sup>(a)</sup>	Malaysia	<b>100.00%</b>	0.00%		Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment
Maker Technologies Sdn. Bhd. <sup>(a)</sup>	Malaysia	<b>100.00%</b>	0.00%		Manufacture of precision moulds and parts
Micro Surface Treatment Sdn. Bhd.	Malaysia	<b>88.00%</b>	88.00%		Precision plating and surface treatment
Omni Value Chain Sdn. Bhd. <sup>(a)</sup>	Malaysia	<b>100.00%</b>	0.00%		Supply chain management
Paradigm Metal Industries Sdn. Bhd.	Malaysia	<b>100.00%</b>	100.00%		Manufacture of precision metal stamping, sheet metal and die casting parts
Paradigm Precision Components Sdn. Bhd.	Malaysia	<b>100.00%</b>	100.00%		Manufacture of precision machined components
Paradigm Precision Machining Sdn. Bhd.	Malaysia	<b>100.00%</b>	100.00%		Inactive
Polytool Technologies Sdn. Bhd. <sup>(a)</sup>	Malaysia	<b>100.00%</b>	0.00%		Manufacture of industrial equipment, machinery parts and tooling, encapsulation moulds, trim and form dies and progressive tooling for lead frames
Super Tropica Development Sdn. Bhd.	Malaysia	<b>100.00%</b>	100.00%		Property development

<sup>(a)</sup> Disposed of to Lipo Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company

<sup>(b)</sup> Not audited by Crowe Horwath

#### 9. INVENTORIES

The Group	2016 RM	2015 RM
Raw materials and consumables	<b>3,040,118</b>	2,965,517
Work-in-progress	<b>6,838,172</b>	6,739,848
Finished goods	<b>4,710,614</b>	4,263,400
	<b>14,588,904</b>	13,968,765



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 10. RECEIVABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables	<b>22,811,474</b>	23,311,999	<b>0</b>	0
Allowance for impairment	<b>(229,635)</b>	(37,985)	<b>0</b>	0
	<b>22,581,839</b>	23,274,014	<b>0</b>	0
Subsidiaries	<b>0</b>	0	<b>16,958,636</b>	1,861,117
Allowance for impairment	<b>0</b>	0	<b>(3,738,981)</b>	(544,742)
	<b>0</b>	0	<b>13,219,655</b>	1,316,375
Other receivables	<b>5,823,711</b>	700,208	<b>59,446</b>	62,445
Allowance for impairment	<b>(3,400,000)</b>	0	<b>0</b>	0
	<b>2,423,711</b>	700,208	<b>59,446</b>	62,445
	<b>25,005,550</b>	23,974,222	<b>13,279,101</b>	1,378,820

The currency profile of receivables is as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	<b>15,053,256</b>	14,033,079	<b>13,229,651</b>	1,222,820
Singapore Dollar	<b>560,274</b>	105,941	<b>49,450</b>	156,000
US Dollar	<b>9,381,453</b>	8,724,596	<b>0</b>	0
Others	<b>10,567</b>	1,110,606	<b>0</b>	0
	<b>25,005,550</b>	23,974,222	<b>13,279,101</b>	1,378,820

#### 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	
	2016 RM	2015 RM
Balance at 1 July	<b>37,985</b>	129,416
Impairment loss recognised	<b>199,995</b>	37,985
Impairment loss reversed	<b>(8,345)</b>	(31,613)
Impairment loss written off	<b>0</b>	(97,803)
Balance at 30 June	<b>229,635</b>	37,985

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 10. RECEIVABLES (CONT'D)

##### Trade Receivables (cont'd)

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

	The Group	
	2016 RM	2015 RM
Not past due	17,608,465	18,660,485
Past due 1 to 30 days	3,763,652	3,512,343
Past due 31 to 120 days	1,206,525	1,017,708
Past due more than 120 days	3,197	83,478
	<u>22,581,839</u>	<u>23,274,014</u>

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

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2016, there were 2 (2015 : 2) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM5,475,984 (2015 : RM7,750,989). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2016 RM	2015 RM
Malaysia	15,354,144	17,068,241
Singapore	2,559,748	2,057,580
United States of America	3,236,933	1,878,178
Others	1,431,014	2,270,015
	<u>22,581,839</u>	<u>23,274,014</u>

##### Subsidiaries

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand except for certain amounts totalling RM12,306,540 (2015 : NIL) which bear interest at 4.00% to 8.00% (2015 : NIL) per annum.

The movements in allowance for impairment are as follows:-

	The Company	
	2016 RM	2015 RM
Balance at 1 July	544,742	544,742
Impairment loss recognised	3,400,000	0
Impairment loss reversed	(205,761)	0
Balance at 30 June	<u>3,738,981</u>	<u>544,742</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 10. RECEIVABLES (CONT'D)

##### 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Balance at 1 July	0	100,692	0	1,572
Impairment loss recognised <sup>(a)</sup>	3,400,000	0	0	0
Impairment loss written off	0	(100,692)	0	(1,572)
Balance at 30 June	3,400,000	0	0	0

<sup>(a)</sup> In September 2015, with an intention to enter into a joint venture agreement ("JVA") with a landowner to develop a piece of freehold land owned by the latter, a subsidiary deposited a sum of RM3,400,000 ("Stakeholder Sum") with the landowner's solicitor ("Stakeholder") at the Stakeholder's request. As the JVA did not materialise by the stipulated deadline on 31 October 2015, the subsidiary demanded for full refund of the Stakeholder Sum but the Stakeholder constantly failed and neglected to return the money despite repeated demands.

The subsidiary lodged a police report against the Stakeholder who has subsequently been charged under Section 420 of the Penal Code. The subsidiary is also pursuing alternative legal avenues to recover the Stakeholder Sum, which include civil suit against the Stakeholder and seeking remedy from the firm's professional indemnity insurance and the professional body's compensation fund.

#### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group	2016 RM	2015 RM
Derivatives classified as held for trading, at fair value	10,750	0

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 2016, the Group had contracts with financial institutions due within 1 year to buy RM414,000 (2015 : NIL) and sell USD100,000 (2015 : NIL) 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. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Highly liquid investments	3,306,565	2,096,273	1,453,398	1,092,942
Term deposits with licensed banks (fixed rate)	3,096,879	7,697,746	8,000	5,815,175
Cash and bank balances	22,940,321	18,224,357	9,703,745	9,471,088
	29,343,765	28,018,376	11,165,143	16,379,205

Certain term deposits of the Group and the Company totalling RM2,596,880 and RM8,000 (2015 : RM740,572 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 12. CASH AND CASH EQUIVALENTS (CONT'D)

Included in cash and bank balances of the Group is an amount of RM814,727 (2015 : NIL) held under Housing Development Account opened and maintained pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966.

The effective interest rates of term deposits as at 30 June 2016 ranged from 2.95% to 3.35% (2015 : 2.40% to 3.35%) per annum.

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	<b>21,792,586</b>	24,401,617	<b>11,165,143</b>	16,379,205
Singapore Dollar	<b>2,973,105</b>	316,094	<b>0</b>	0
US Dollar	<b>4,110,851</b>	3,266,272	<b>0</b>	0
Others	<b>467,223</b>	34,393	<b>0</b>	0
	<b>29,343,765</b>	28,018,376	<b>11,165,143</b>	16,379,205

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and cash equivalents	<b>29,343,765</b>	28,018,376	<b>11,165,143</b>	16,379,205
Term deposits pledged as security	<b>(2,596,880)</b>	(740,572)	<b>(8,000)</b>	(8,000)
	<b>26,746,885</b>	27,277,804	<b>11,157,143</b>	16,371,205

#### 13. PAYABLES

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables:-				
- Related party <sup>(a)</sup>	<b>169,278</b>	211,247	<b>0</b>	0
- Unrelated parties	<b>12,434,184</b>	12,087,899	<b>0</b>	0
	<b>12,603,462</b>	12,299,146	<b>0</b>	0
Subsidiaries	<b>0</b>	0	<b>1,220,000</b>	1,220,000
Other payables	<b>8,283,205</b>	7,680,809	<b>371,410</b>	264,998
	<b>20,886,667</b>	19,979,955	<b>1,591,410</b>	1,484,998

<sup>(a)</sup> Being a company in which a director has a substantial financial interest

The currency profile of payables is as follows:-

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	<b>16,849,209</b>	16,431,811	<b>1,591,410</b>	1,484,998
Singapore Dollar	<b>2,715,923</b>	1,420,071	<b>0</b>	0
US Dollar	<b>1,094,857</b>	2,103,209	<b>0</b>	0
Others	<b>226,678</b>	24,864	<b>0</b>	0
	<b>20,886,667</b>	19,979,955	<b>1,591,410</b>	1,484,998

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 13. PAYABLES (CONT'D)

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

##### Trade Payables

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

##### Subsidiaries

The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable on demand except for an amount of RM220,000 (2015 : RM220,000) which bears interest at 4.00% (2015 : 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.

#### 14. LOANS AND BORROWINGS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Secured:-				
- Term loans (floating rate)	<b>9,413,298</b>	8,821,889	<b>9,413,298</b>	8,821,889
Unsecured:-				
- Term loans (floating rate)	<b>1,034,885</b>	1,921,766	<b>0</b>	0
- Revolving credit (floating rate)	<b>975,775</b>	0	<b>0</b>	0
	<b>2,010,660</b>	1,921,766	<b>0</b>	0
	<b>11,423,958</b>	10,743,655	<b>9,413,298</b>	8,821,889
Disclosed as:-				
- Current liabilities	<b>2,046,275</b>	1,236,770	<b>430,900</b>	349,889
- Non-current liabilities	<b>9,377,683</b>	9,506,885	<b>8,982,398</b>	8,472,000
	<b>11,423,958</b>	10,743,655	<b>9,413,298</b>	8,821,889

Secured term loans are secured against certain property, plant and equipment (Note 4).

The effective interest rates of loans and borrowings as at 30 June 2016 ranged from 2.50% to 5.25% (2015 : 4.65% to 5.25%) per annum.

The currency profile of loans and borrowings is as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	<b>10,448,183</b>	10,743,655	<b>9,413,298</b>	8,821,889
US Dollar	<b>975,775</b>	0	<b>0</b>	0
	<b>11,423,958</b>	10,743,655	<b>9,413,298</b>	8,821,889

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 14. LOANS AND BORROWINGS (CONT'D)

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gross loan instalments:-				
- Within 1 year	<b>1,538,053</b>	1,718,858	<b>859,512</b>	752,712
- Later than 1 year and not later than 2 years	<b>1,275,550</b>	1,446,643	<b>859,512</b>	752,712
- Later than 2 years and not later than 5 years	<b>2,578,536</b>	2,670,715	<b>2,578,536</b>	2,258,136
- Later than 5 years	<b>9,140,225</b>	9,248,644	<b>9,140,225</b>	9,248,644
Total contractual undiscounted cash flows	<b>14,532,364</b>	15,084,860	<b>13,437,785</b>	13,012,204
Future finance charges	<b>(4,084,181)</b>	(4,341,205)	<b>(4,024,487)</b>	(4,190,315)
Present value of term loans:-				
- Within 1 year	<b>1,070,500</b>	1,236,770	<b>430,900</b>	349,889
- Later than 1 year and not later than 2 years	<b>846,655</b>	1,006,110	<b>451,370</b>	366,510
- Later than 2 years and not later than 5 years	<b>1,454,022</b>	1,575,943	<b>1,454,022</b>	1,180,658
- Later than 5 years	<b>7,077,006</b>	6,924,832	<b>7,077,006</b>	6,924,832
	<b>10,448,183</b>	10,743,655	<b>9,413,298</b>	8,821,889

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.

#### 15. DEFERRED TAX LIABILITIES

The Group	2016 RM	2015 RM
Balance at 1 July	<b>3,869,536</b>	3,655,936
Deferred tax expense relating to origination and reversal of temporary differences	<b>396,000</b>	335,383
Deferred tax income relating to change in tax rate	<b>0</b>	(144,000)
Deferred tax liabilities underprovided in prior year	<b>76,000</b>	21,167
Currency translation differences	<b>797</b>	1,050
Balance at 30 June	<b>4,342,333</b>	3,869,536
In respect of:-		
- Taxable temporary differences of:-		
- Property, plant and equipment	<b>4,750,333</b>	3,869,536
- Financial instruments	<b>3,000</b>	0
- Unused capital allowances	<b>(51,000)</b>	0
- Unused tax losses	<b>(360,000)</b>	0
	<b>4,342,333</b>	3,869,536

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 15. DEFERRED TAX LIABILITIES (CONT'D)

Save as disclosed above, as at 30 June 2016, 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 RM192,000 and RM27,000 (2015 : RM601,000 and RM39,000) respectively. No further deferred tax assets have been recognised for the excess of the unused capital allowances and tax losses over the taxable temporary differences as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unused capital allowances	2,009,000	2,294,000	644,000	603,000
Unused tax losses	22,895,000	19,932,000	3,590,000	1,323,000
Taxable temporary differences of property, plant and equipment	(799,000)	(2,506,000)	(113,000)	(164,000)
	<u>24,105,000</u>	<u>19,720,000</u>	<u>4,121,000</u>	<u>1,762,000</u>

#### 16. DEFERRED INCOME ON GOVERNMENT GRANTS

The Group	2016 RM	2015 RM
Balance at 1 July	0	0
Grants related to property, plant and equipment	2,186,185	0
Amortisation	(208,619)	0
Balance at 30 June	<u>1,977,566</u>	<u>0</u>

#### 17. SHARE CAPITAL

	2016 RM	2015 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:-

	2016		2015	
	Number of Shares	RM	Number of Shares	RM
Balance at 1 July	728,200	888,447	728,200	888,447
Shares reissued	(546,700)	(666,974)	0	0
Balance at 30 June	<u>181,500</u>	<u>221,473</u>	<u>728,200</u>	<u>888,447</u>

The number of outstanding shares in issue after excluding the treasury shares is 67,899,250 (2015 : 67,352,550).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 18. NON-CONTROLLING INTERESTS ("NCI")

The Group	Accumulated NCI		Profit/(Loss) Allocated to NCI	
	2016 RM	2015 RM	2016 RM	2015 RM
Kobay SCM (S) Pte. Ltd. and its subsidiaries	1,287,278	738,120	480,304	282,624
Kobay Systems Sdn. Bhd.	0	0	0	(268)
The 12 Avenues Sdn. Bhd.	16,989	17,478	(489)	(830)
Wirama Progresif Sdn. Bhd.	29,338	34,763	(5,425)	34,968
Micro Surface Treatment Sdn. Bhd.	333,524	349,090	44,434	75,318
	<b>1,667,129</b>	<b>1,139,451</b>	<b>518,824</b>	<b>391,812</b>

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
		2016	2015	
Kobay SCM (S) Pte. Ltd.	Singapore	40.00%	40.00%	Investment holding
The 12 Avenues Sdn. Bhd.	Malaysia	30.00%	30.00%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	30.00%	30.00%	Supply of engineering parts and accessories, and services to oil & gas industry
Micro Surface Treatment Sdn. Bhd.	Malaysia	12.00%	12.00%	Precision plating and surface treatment
<u>Subsidiaries of Kobay SCM (S) Pte. Ltd.</u>				
Microhandling Asia Pte. Ltd.	Singapore	40.12%	40.12%	Manufacture of semiconductor assembly and testing equipment
United Manufacturing Corporation Pte. Ltd.	Singapore	0.00%	40.00%	Dissolved

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.

### 19. REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	98,946,834	107,862,439	0	0
Rendering of services	4,744,649	5,310,857	1,283,783	1,446,977
Dividend income	0	2,000	14,094,957	5,794,220
Interest income	0	197	0	0
Rental income	1,058,568	743,222	0	0
	<b>104,750,051</b>	<b>113,918,715</b>	<b>15,378,740</b>	<b>7,241,197</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 20. PROFIT BEFORE TAX

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	176,667	153,690	27,000	24,000
- Prior year	19,500	3,060	3,000	3,000
Depreciation of investment properties	24,337	22,308	0	0
Depreciation of property, plant and equipment	5,786,340	5,387,743	101,289	65,430
Directors' remuneration:-				
- Fees	15,000	15,000	15,000	15,000
- Other emoluments	1,248,761	1,095,782	1,205,185	1,052,526
Fee expense for financial instruments not at fair value through profit or loss	123,547	104,703	7,575	703
Impairment loss on loans and receivables:-				
- Subsidiary	0	0	3,400,000	0
- Unrelated parties	3,599,995	37,985	0	0
Interest expense for financial liabilities not at fair value through profit or loss	179,011	124,901	115,036	9,183
Inventories written down	0	165,782	0	0
Loss on derecognition of available-for-sale financial assets	0	34,384	0	0
Loss on disposal of property, plant and equipment	0	9,713	0	0
Property, plant and equipment written off	12,437	78,553	1,384	16
Rental of machinery and equipment	12,419	10,738	0	0
Rental of premises	632,540	396,711	104,059	48,000
and crediting:-				
Amortisation of deferred income on government grants	208,619	0	0	0
Gain on disposal of property, plant and equipment	2,405,073	0	0	9,998
Gain on disposal of subsidiaries	0	1,762,234	13,996,467	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	10,750	0	0	0
Gain on foreign exchange:-				
- Realised	672,184	1,124,539	16,358	2,573
- Unrealised	7,924	0	0	0
Gross dividend income from investments quoted in Malaysia	0	2,000	0	0
Gross dividend income from subsidiaries	0	0	14,094,957	5,794,220
Interest income for financial assets not at fair value through profit or loss	330,683	531,218	362,115	363,844
Rental of premises	951,272	791,222	0	0
Reversal of impairment loss on loans and receivables:-				
- Subsidiary	0	0	205,761	0
- Unrelated parties	8,345	40,461	0	0

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 21. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term employee benefits	<b>29,733,283</b>	28,598,802	<b>3,089,069</b>	3,001,092
Defined contribution plans	<b>2,569,588</b>	2,155,904	<b>330,469</b>	329,073
	<b>32,302,871</b>	30,754,706	<b>3,419,538</b>	3,330,165

#### 22. TAX EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax based on results for the year:-				
Malaysian income tax	<b>2,346,276</b>	2,914,000	<b>0</b>	0
Overseas income tax	<b>0</b>	38,460	<b>0</b>	0
Real Property Gains Tax	<b>61,456</b>	0	<b>0</b>	0
Deferred tax	<b>396,000</b>	191,383	<b>0</b>	0
	<b>2,803,732</b>	3,143,843	<b>0</b>	0
Tax (over)/under provided in prior year:-				
Malaysian income tax	<b>(283,677)</b>	(7,948)	<b>0</b>	0
Overseas income tax	<b>0</b>	(5)	<b>0</b>	0
Real Property Gains Tax	<b>6,557</b>	0	<b>6,557</b>	0
Deferred tax	<b>76,000</b>	21,167	<b>0</b>	0
	<b>2,602,612</b>	3,157,057	<b>6,557</b>	0

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	
	2016 %	2015 %	2016 %	2015 %
Applicable tax rate	<b>24.00</b>	25.00	<b>24.00</b>	25.00
Non-deductible expenses	<b>61.81</b>	2.97	<b>4.13</b>	0.56
Non-taxable income	<b>(44.51)</b>	(3.71)	<b>(30.69)</b>	(39.40)
Tax incentives claimed	<b>(10.23)</b>	(1.06)	<b>0.00</b>	0.00
Effect of differential tax rates	<b>(7.96)</b>	(1.50)	<b>0.00</b>	0.00
Increase in unrecognised deferred tax assets	<b>13.88</b>	0.46	<b>2.56</b>	13.84
Average effective tax rate	<b>36.99</b>	22.16	<b>0.00</b>	0.00

Pursuant to the Finance (No. 2) Act 2014 (Act 764) gazetted on 30 December 2014, the statutory income tax rate has been reduced from 25% to 24% for the financial year under review.

The tax saving of the Group for which credit has been taken in the current year as a result of the realisation of unused tax losses brought forward that had not been accounted for previously amounted to approximately RM39,000 (2015 : RM835,000).

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 23. EARNINGS PER SHARE

##### The Group

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

	2016	2015
Profit for the financial year attributable to owners of the Company (RM)	<b>4,458,111</b>	10,636,215
Number of shares in issue as at 1 July	<b>67,352,550</b>	67,352,550
Effect of shares reissued	<b>515,323</b>	0
Weighted average number of shares in issue	<b>67,867,873</b>	67,352,550
Basic earnings per share (sen)	<b>6.57</b>	15.79

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

#### 24. DIVIDEND

The Group and the Company	2016 RM	2015 RM
Final single tier dividend of 3 sen per share in respect of the financial year ended 30 June 2014	<b>0</b>	2,020,577
Final single tier dividend of 3 sen per share in respect of the financial year ended 30 June 2015	<b>2,031,023</b>	0
	<b>2,031,023</b>	2,020,577

#### 25. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Key management personnel compensation:-				
- Short-term employee benefits	<b>2,159,768</b>	1,560,966	<b>1,574,505</b>	970,850
- Defined contribution plan	<b>208,805</b>	134,110	<b>166,537</b>	96,676
	<b>2,368,573</b>	1,695,076	<b>1,741,042</b>	1,067,526
Disposal of property, plant and equipment to subsidiary	<b>0</b>	0	<b>774</b>	5,000
Disposal of subsidiaries to subsidiary	<b>0</b>	0	<b>18,806,208</b>	0
Dividends received from subsidiaries	<b>0</b>	0	<b>14,094,957</b>	5,794,220
Interest charged by subsidiaries	<b>0</b>	0	<b>15,550</b>	9,183
Interest charged to subsidiaries	<b>0</b>	0	<b>327,778</b>	0
Management fees charged to subsidiaries	<b>0</b>	0	<b>1,283,783</b>	1,446,977
Purchase of goods from other related party <sup>(a)</sup>	<b>833,326</b>	484,413	<b>0</b>	0
Rental of premises charged by subsidiary	<b>0</b>	0	<b>48,000</b>	48,000
Rental of premises charged by other related party <sup>(a)</sup>	<b>92,887</b>	0	<b>56,059</b>	0
Sale of development unit to other related party <sup>(b)</sup>	<b>1,377,600</b>	0	<b>0</b>	0
Subscription for shares in subsidiaries	<b>0</b>	0	<b>1,299,996</b>	31,500,000

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 25. RELATED PARTY DISCLOSURES (CONT'D)

<sup>(a)</sup> *Being companies in which certain directors have substantial financial interests*

<sup>(b)</sup> *Being a close family member of a director*

#### 26. 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 metal components       | - Manufacture of precision machined components, precision stamping, sheet metal parts and surface treatment                                     |
| (ii) Precision tooling and equipment | - Manufacture of precision moulds, tooling and dies, design and manufacture of automated machines, semiconductor assembly and testing equipment |
| (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, property letting, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 26. SEGMENT REPORTING (CONT'D)

##### Operating Segments (cont'd)

	Precision metal components RM	Precision tooling and equipment RM	Metal fabrication RM	Property development RM	Other operating segments RM	Unallocated non- operating segments RM	Consolidation adjustments and eliminations RM	Total RM
2016								
STATEMENT OF FINANCIAL POSITION								
Segment assets	73,545,076	11,938,900	14,460,885	53,643,135	17,435,975	116,786,766	(105,556,108)	182,254,629
Included in the measure of segment assets are:-								
- Additions to non-current assets	7,177,245	5,907	383,357	7,492,378	62,990	421,806	0	15,543,683
Segment liabilities	19,961,470	4,603,167	1,458,240	15,774,256	2,277,027	14,616,916	(18,428,542)	40,262,534
STATEMENT OF COMPREHENSIVE INCOME								
Segment profit/(loss)	9,601,537	1,264,690	214,442	(2,436,981)	661,703	20,659,308	(24,987,764)	4,976,935
Included in the measure of segment profit/(loss) are:-								
- External revenue	69,283,270	17,000,989	15,811,972	0	2,653,820	0	0	104,750,051
- Intersegment revenue	296,346	612,629	0	0	1,319,970	15,378,740	(17,607,685)	0
- Interest income	100,676	45,247	78,872	10,634	54,625	375,138	(334,509)	330,683
- Non-cash income	228,324	0	0	0	7,314	0	0	235,638
- Interest expense	79,525	0	0	327,777	0	115,036	(343,327)	179,011
- Depreciation	5,066,938	85,930	0	35,412	496,304	101,763	24,330	5,810,677
- Impairment loss on loans and receivables	0	0	0	3,400,000	199,995	0	0	3,599,995
- Other non-cash expenses	8,669	425	0	1,959	0	1,384	0	12,437
- Tax expense	2,212,520	104,553	0	0	255,248	6,557	23,734	2,602,612

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 26. SEGMENT REPORTING (CONT'D)

#### Operating Segments (cont'd)

	Precision metal components RM	Precision tooling and equipment RM	Metal fabrication RM	Property development RM	Other operating segments RM	Unallocated non- operating segments RM	Consolidation adjustments and eliminations RM	Total RM
2015								
STATEMENT OF FINANCIAL POSITION								
Segment assets	69,146,149	10,257,232	19,439,926	41,404,949	17,295,420	92,828,206	(77,764,933)	172,606,949
Included in the measure of segment assets are:-								
- Additions to non-current assets	4,497,714	847,593	223,901	12,489,045	2,131,090	33,107	0	20,222,450
Segment liabilities	17,152,355	4,222,802	3,651,724	1,099,089	2,572,175	10,308,886	(4,001,730)	35,005,301
STATEMENT OF COMPREHENSIVE INCOME								
Segment profit/(loss)	7,170,371	1,053,824	3,168,244	(769,068)	782,392	5,458,521	(5,836,257)	11,028,027
Included in the measure of segment profit/(loss) are:-								
- External revenue	65,538,000	21,009,395	21,895,000	0	5,474,323	1,997	0	113,918,715
- Intersegment revenue	39,381	1,068,018	0	0	402,135	7,241,197	(8,750,731)	0
- Interest income	60,018	56,029	29,877	815	20,437	363,845	0	531,021
- Non-cash income	29,175	2,438	0	0	8,848	0	0	40,461
- Interest expense	124,901	0	0	0	0	9,183	(9,183)	124,901
- Depreciation	3,829,502	331,992	662,575	1,266	487,090	65,905	31,721	5,410,051
- Impairment loss on loans and receivables	37,985	0	0	0	0	0	0	37,985
- Inventories written down	0	165,782	0	0	0	0	0	165,782
- Other non-cash expenses	73,979	4,558	0	0	0	16	0	78,553
- Tax expense	2,862,270	128,892	0	0	165,895	0	0	3,157,057

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 26. 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	56,801,456	66,312,663	100,101,610	104,595,782
Singapore	18,983,137	18,216,229	363,584	406,144
United States of America	19,245,258	16,973,101	0	0
Other foreign countries	9,720,200	12,416,722	0	0
	<u>104,750,051</u>	<u>113,918,715</u>	<u>100,465,194</u>	<u>105,001,926</u>

##### Major Customers

For the financial year ended 30 June 2016, the Group did not have any major customer that contributed 10% or more of its total revenue. For the financial year ended 30 June 2015, there was 1 major customer of the metal fabrication segment that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM11,649,866.

#### 27. CAPITAL COMMITMENT

The Group	2016 RM	2015 RM
Contracted but not provided for:-		
- Property, plant and equipment	159,000	1,069,000
- Investment properties	450,000	0
	<u>609,000</u>	<u>1,069,000</u>

#### 28. 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 RM35,147,000 (2015 : RM6,230,000). The total utilisation of these credit facilities as at 30 June 2016 amounted to approximately RM2,528,000 (2015 : RM2,407,000).

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 2.12. 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.

#### 29. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 29. FINANCIAL RISK MANAGEMENT (CONT'D)

##### 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 28.

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

##### Liquidity Risk

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

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

##### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Singapore Dollar ("SGD") 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:-

	<b>The Group</b>	
	<b>Increase/ (Decrease) in Profit</b>	<b>Increase/ (Decrease) in Profit</b>
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Appreciation of USD against RM by 10%	<b>721,256</b>	560,474
Depreciation of USD against RM by 10%	<b>(721,256)</b>	(560,474)
Appreciation of USD against SGD by 10%	<b>(162,983)</b>	(84,040)
Depreciation of USD against SGD by 10%	<b>162,983</b>	84,040

##### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

#### 29. FINANCIAL RISK MANAGEMENT (CONT'D)

##### Interest Rate Risk (cont'd)

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

	The Group		The Company	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit
	2016 RM	2015 RM	2016 RM	2015 RM
Increase in interest rates by 50 basis points	<b>(54,707)</b>	(51,316)	<b>(47,066)</b>	(44,109)
Decrease in interest rates by 50 basis points	<b>54,707</b>	51,316	<b>47,066</b>	44,109

#### 30. CAPITAL MANAGEMENT

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

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total loans and borrowings	<b>11,423,958</b>	10,743,655	<b>9,413,298</b>	8,821,889
Total equity	<b>141,992,095</b>	137,601,648	<b>103,941,912</b>	82,521,314
Total capital	<b>153,416,053</b>	148,345,303	<b>113,355,210</b>	91,343,203
Debt-to-equity ratio	<b>0.08 : 1</b>	0.08 : 1	<b>0.09 : 1</b>	0.11 : 1

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

## SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	<b>88,850,410</b>	73,956,270	<b>33,737,031</b>	13,648,925
- Unrealised	<b>(1,922,816)</b>	(1,400,097)	<b>0</b>	0
	<b>86,927,594</b>	72,556,173	<b>33,737,031</b>	13,648,925
Consolidation adjustments and eliminations	<b>(18,593,446)</b>	(6,649,113)	<b>0</b>	0
Total retained profits as per statement of financial position	<b>68,334,148</b>	65,907,060	<b>33,737,031</b>	13,648,925

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.

# SHAREHOLDING STATISTIC

AS AT 30 SEPTEMBER 2016

Authorized Share Capital	: RM100,000,000
Issued and Paid Up Capital	: RM68,080,750 (includes 181,500 treasury shares at RM1.00 each)
Class of Equity Shares	: Ordinary shares of RM1.00 each
Voting Rights	: One vote per shareholder on a show of hands or one vote per ordinary share on a poll

## ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	528	13.38	24,464	0.04
100 - 1,000	333	8.44	209,715	0.31
1,001 - 10,000	2,732	69.24	7,784,886	11.43
10,001 - 100,000	322	8.16	7,635,648	11.21
100,001 - 3,404,036	29	0.73	21,633,230	31.78
3,404,037 and above *	2	0.05	30,792,807	45.23
<b>TOTAL</b>	<b>3,946</b>	<b>100.00</b>	<b>68,080,750</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kobay Holdings Sdn. Bhd.	17,523,007	25.74	—	—
Norinv Kapital Sdn. Bhd.	13,269,800	19.49	—	—
Dato' Koay Hean Eng	1,654,154	2.43	**17,523,007	25.74
Koay Cheng Lye	1,058,995	1.55	**17,523,007	25.74
Koay Ah Bah @ Koay Cheng Hock	884,665	1.30	**17,523,007	25.74
			***634,500	0.93

## DIRECTORS' SHAREHOLDING IN THE COMPANY

Name of Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Koay Hean Eng	1,654,154	2.43	**17,523,007	25.74
Koay Cheng Lye	1,058,995	1.55	**17,523,007	25.74
Koay Ah Bah @ Koay Cheng Hock	884,665	1.30	**17,523,007	25.74
			***634,500	0.93
Lim Swee Chuan	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
Khaw Eng Peng	—	—	—	—

Notes:-

\* 5% and above of the issued share capital of 68,080,750 ordinary shares of RM1.00 each (inclusive of 181,500 treasury shares held by Kobay Technology Bhd.)

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

\*\*\* Deemed interest by virtue of the shares held by persons connected to the Director.

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

# SHAREHOLDING STATISTIC (CONT'D)

AS AT 30 SEPTEMBER 2016

## THIRTY (30) LARGEST SHAREHOLDERS (AS AT 30 SEPTEMBER 2016)

Name of Shareholders	No. of Shares Held	% Shareholding
1. Kobay Holdings Sdn. Bhd.	17,523,007	25.74
2. Norinv Kapital Sdn. Bhd.	8,900,200	13.07
3. Norinv Kapital Sdn. Bhd.	4,369,600	6.42
4. Premiergrow Capital Sdn. Bhd.	3,346,600	4.92
5. Ch'ng Chuon Ghee	3,109,700	4.57
6. Inna Capital Sdn. Bhd.	1,788,716	2.63
7. Koay Hean Eng	1,654,154	2.43
8. Inna Capital Sdn. Bhd.	1,557,700	2.29
9. Ch'ng Way Aik	1,178,900	1.73
10. Ng Mun Fye	1,142,800	1.68
11. Koay Cheng Lye	1,058,995	1.55
12. Tan Lai Hock	714,600	1.05
13. Tan Jin Tuan	603,000	0.88
14. Koay Ah Bah @ Koay Cheng Hock	569,665	0.84
15. Tan Jin Tuan	540,000	0.79
16. Lai Chin Loy	486,600	0.71
17. Koay Wooi Seong	317,250	0.47
18. Koay Wooi Tatt	317,250	0.47
19. Koay Ah Bah @ Koay Cheng Hock	315,000	0.46
20. Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Zulkifli Bin Ismail	266,300	0.39
21. Ng Phaik Lean	256,700	0.38
22. Neong Kok Hooi	219,000	0.32
23. Leong Kok Tai	216,100	0.32

**SHAREHOLDING STATISTIC (CONT'D)**

AS AT 30 SEPTEMBER 2016

**THIRTY (30) LARGEST SHAREHOLDERS (AS AT 30 SEPTEMBER 2016) (CONT'D)**

Name of Shareholders	No. of Shares Held	% Shareholding
24. Kobay Technology Bhd. Share Buy-Back Account	181,500	0.27
25. Sapiah Binti Abu	162,500	0.24
26. Tan Boon Aun	160,100	0.23
27. Lew Yok Kee	155,000	0.23
28. Chew Thing Hue	144,000	0.21
29. Rajan Bhatt@Achai	131,400	0.19
30. Tang Theng Kow	130,000	0.19
TOTAL :	51,516,337	75.67

Note:

The percentage of shareholding is calculated based on 68,080,750 shares inclusive the 181,500 treasury shares (retained by the Company as per Record of Depositors) from the fully issued and paid-up capital of the Company.

## LIST OF PROPERTIES

AS AT 30 JUNE 2016

Location	Description/Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @30.06.16 (RM'000)
* PN5918, Lot 12383, Mukim 12, Daerah Barat Daya, Pulau Pinang Plot 30, Hilir Sungai Kluang 1, 11900 Bayan Lepas Industrial Park, Pulau Pinang	Single storey factory with an annexed two storey office block in front  Existing use : Industrial, used as factory premises	Approx. 130,652 sq. ft/ (85,007 sq. ft)	01.07.1991	Leasehold for 60 years expiring on 26.12.2051/ (21 years)	7,457
PN4028, Lot 12461, Mukim 12, Daerah Barat Daya, Pulau Pinang Plot 83, Medan Bayan Lepas, Bayan Lepas Industrial Park, Phase 4, 11900 Pulau Pinang	Single storey factory building with an annexed two storey office block  Existing use : Industrial, used as factory premises	Approx. 87,599 sq. ft/ (53,840 sq. ft)	24.06.1998	Leasehold for 60 years expiring on 17.01.2062/ (16 years)	6,667
HS(D) No. 38116, PT 1528 & HS(D) No. 47236, PT 1530, Mukim 1, Daerah Seberang Prai Tengah, Pulau Pinang 2631, Lot 376 & 377, Lorong Perusahaan 10, Phase 3, Prai Industrial Estate, 13600 Pulau Pinang	Single storey factory building with an annexed single storey office block  Existing use : Industrial, used as factory premises	Approx. 118,099 sq. ft/ (86,900 sq. ft)	20.05.1997	Leasehold for 60 years expiring on 07.08.2045/ (25 years)	5,817
HS(D) No. 42050, PT 5, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang 967, Jalan Perusahaan, Kawasan Perusahaan Prai, 13600 Pulau Pinang	Single storey factory building  Existing use : Industrial, used as factory premises	Approx. 22,500 sq. ft/ (20,000 sq. ft)	19.09.1991	Leasehold for 99 years expiring on 21.01.2071/ (23 years)	748
GRN459888, Lot No. 6348, GRN459887, Lot No. 6341, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor Lot 3611, Batu 30, Jalan Johor, 81500 Pekan Nenas, Johor	Single storey factory building  Existing use : Industrial, used as factory premises	Approx. 4.22 hectares (25,630 sq. ft)	09.06.2009	Freehold/ (5 year)	4,674
GRN24324, Lot No. 2628, Sek 4, Daerah Seberang Prai Utara, Butterworth, Pulau Pinang No. 1, Lorong Bagan Luar Satu, 12000 Butterworth, Pulau Pinang	8 storey hotel building  Existing use : Hotel	Approx 4,305 sq. ft (36,822 sq.ft)	06.01.2011	Freehold/ (34 years)	4,313
HS (M) 12786, PT17679 Ladang PKNK, Bandar Sungai Petani, Kuala Muda, Kedah No.6516, Lorong Ayam Didik, Kawasan Perusahaan Ringan, Taman Ria Jaya, 08000 Sungai Petani, Kedah	Single storey factory building with two storey office block in front  Existing use : Industrial, used as factory premises	Approx. 34,182 sq. ft (16,049 sq. ft)	22.07.2014	Freehold (25 years)	2,025

## LIST OF PROPERTIES (CONT'D)

AS AT 30 JUNE 2016

Location	Description/Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @30.06.16 (RM'000)
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## Land Held for Property Development

GRN47092 Lot 34, GRN46881 Lot 35, GRN46882 Lot 36, GRN28204 Lot 249, GRN44961 Lot 251, GRN52732 Lot 990, GRN52733 Lot 992, GRN27217 Lot 993, GRN28218 Lot 995, GRN28219 Lot 996, HS (D) No. 18014, PT143 Bandar Tanjung Bungah, Daerah Timur Laut, Pulau Pinang	Vacant Land for future development	Approx. 67,336 sq. ft.	01.12.2009/ 25.02.2010/ 18.05.2011/ 29.02.2012	Freehold	13,475
GM102, Lot No. 2032, MK Kendawang, Pantai Tengah, Pulau Langkawi	Under Development	Approx. 2.54 hectares	07.10.2013	Freehold	5,628
Lot 1671 GM 653, Mukim 12, Daerah Barat Daya, Pulau Pinang	5/6 undivided shares of the Land	Approx. 27,158 sq. ft.	12.02.2015/ 29.06.2015/ 17.02.2016	Freehold	9,792
	Vacant Land for future development				
Lot 1672 GM 654, Mukim 12, Daerah Barat Daya, Pulau Pinang	266/275 undivided shares of the Land	Approx. 38,843 sq. ft.	11.09.2015	Freehold	
	Vacant Land for future development				
Lot 71125 GM3427, Mukim 12, Daerah Barat Daya, Pulau Pinang	Vacant Land for future development	Approx. 16,910 sq. ft.	24.04.2015	Freehold	

Note : -

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

Location	Land Area	Tenure	Advances to Landowners & Development Cost (RM'000)
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## Development Land Under Joint Development Agreement

Seberang Perai Tengah, Pulau Pinang	239,843 sq. ft.	Freehold	1,066
Mukim Lumut, Manjung, Perak	849,509 sq.ft.	Leasehold for 99 years expiring on 07.02.2112	7,737

**Kobay Technology Bhd.** (Company No.: 308279-A)

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