

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)
Company No: 308279-A

FINANCIAL REPORT *for the financial year ended 30 June 2016*

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KOBAY TECHNOLOGY BHD.

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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.

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DIRECTORS' REPORT

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.

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.

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DIRECTORS' REPORT

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent liability or other liability of the Group or the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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.

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DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

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

Dato' Koay Hean Eng
Koay Cheng Lye
Koay Ah Bah @ Koay Cheng Hock
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.

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DIRECTORS' REPORT

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 23 SEP 2016



Dato' Koay Hean Eng



Lim Swee Chuan

KOBAY TECHNOLOGY BHD.

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STATEMENT BY DIRECTORS

We, Dato' Koay Hean Eng and Lim Swee Chuan, being two of the directors of Kobay Technology Bhd., do hereby state that in the opinion of the directors, the financial statements set out on pages 10 to 68 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 69 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 SEP 2016



Dato' Koay Hean Eng



Lim Swee Chuan

STATUTORY DECLARATION

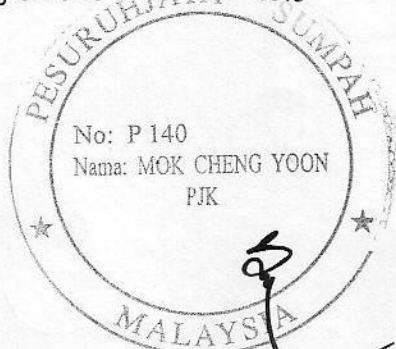
I, Lim Swee Chuan, being the director primarily responsible for the financial management of Kobay Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 68 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously 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 SEP 2016



Lim Swee Chuan

Before me



27, Jalan Zainal Abidin
10400 Pulau Pinang

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

(Incorporated in Malaysia)
Company No: 308279-A

Report on the Financial Statements

We have audited the financial statements of Kobay Technology Bhd., which comprise the statements of financial position as at 30 June 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 10 to 68.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

(Incorporated in Malaysia)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 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.

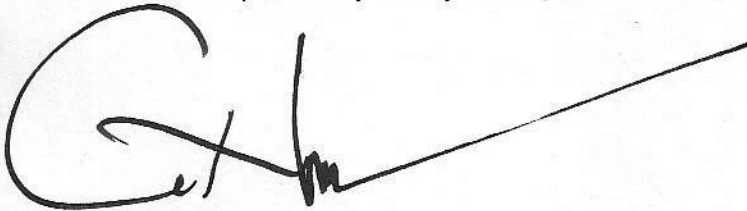
The supplementary information set out on page 69 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

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Other Matters

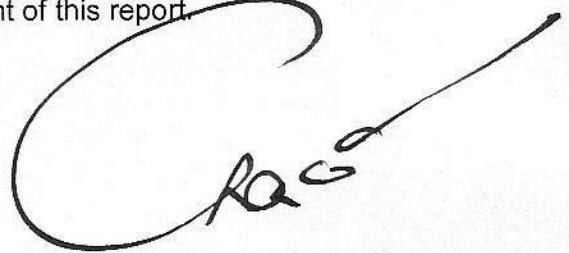
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Date: **23 SEP 2016**

Penang



Eddy Chan Wai Hun
Approval No : 2182/10/17(J)
Chartered Accountant

KOBAY TECHNOLOGY BHD.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION As At 30 JUNE 2016

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (cont'd)

	Non-distributable					Distributable		Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
	Share capital RM	Treasury shares RM	Share premium RM	Capital reserve RM	Fair value reserve RM	Currency translation reserve RM	Retained profits 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	<u>68,080,750</u>	<u>(888,447)</u>	<u>1,680,086</u>	<u>1,550,000</u>	<u>0</u>	<u>132,748</u>	<u>65,907,060</u>	<u>136,462,197</u>	<u>1,139,451</u>	<u>137,601,648</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (cont'd)

	Non-distributable					Distributable		Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
	Share capital RM	Treasury shares RM	Share premium RM	Capital reserve RM	Fair value reserve RM	Currency translation reserve RM	Retained profits RM			
Balance at 1 July 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
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	<u>68,080,750</u>	<u>(221,473)</u>	<u>2,345,604</u>	<u>1,550,000</u>	<u>0</u>	<u>235,937</u>	<u>68,334,148</u>	<u>140,324,966</u>	<u>1,667,129</u>	<u>141,992,095</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (cont'd)

	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		<u>1,300,000</u>	<u>0</u>
Net cash used in financing activities		<u>(2,113,547)</u>	<u>(4,173,862)</u>
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>

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STATEMENT OF FINANCIAL POSITION As At 30 JUNE 2016

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

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STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Share capital RM	Treasury shares RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total equity 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	<u>68,080,750</u>	<u>(888,447)</u>	<u>1,680,086</u>	<u>13,648,925</u>	<u>82,521,314</u>
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	<u>68,080,750</u>	<u>(221,473)</u>	<u>2,345,604</u>	<u>33,737,031</u>	<u>103,941,912</u>

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STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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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 10 to 16 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 17 to 20 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards

Financial Reporting Standards

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

FRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
FRS 9 <i>Financial Instruments</i> (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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards (cont'd)

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation (cont'd)

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

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

- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, Plant and Equipment (cont'd)

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

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

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

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

2.5 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property Development Activities (cont'd)

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Impairment of Non-financial Assets (cont'd)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial Assets (cont'd)

Recognition and Measurement (cont'd)

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial Assets (cont'd)

Impairment (cont'd)

(i) Financial assets carried at amortised cost (cont'd)

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

(ii) Available-for-sale financial assets

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

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

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

(ii) Financial guarantee contracts

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Fair Value Measurement (cont'd)

- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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

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

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

Financial Assets and Financial Liabilities

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

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Income Recognition (cont'd)

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.

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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.

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3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)

Sources of Estimation Uncertainty

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

Allowance for inventories

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

Impairment of loans and receivables

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

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4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings RM	Building improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Tools and accessories RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Cost/Valuation</u>								
Balance at 1 July 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
Representing:-								
- 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
Balance at 1 July 2015	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
Representing:-								
- 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

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

The Group

	Land and buildings RM	Building improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Tools and accessories RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Depreciation and Impairment Losses</u>								
Balance at 1 July 2014								
Accumulated depreciation	9,143,024	3,263,857	64,430,721	4,829,526	813,881	1,573,252	0	84,054,261
Accumulated impairment losses	0	0	904,252	100,846	79,030	34,332	127,220	1,245,680
	9,143,024	3,263,857	65,334,973	4,930,372	892,911	1,607,584	127,220	85,299,941
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								
Accumulated depreciation	9,994,952	2,093,870	54,381,446	4,208,498	855,031	1,136,996	0	72,670,793
Accumulated impairment losses	0	0	604,252	100,846	79,030	34,332	127,220	945,680
	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								
Accumulated depreciation	9,714,673	2,509,220	57,821,553	4,777,019	887,914	1,314,073	0	77,024,452
Accumulated impairment losses	0	0	604,252	100,837	77,789	34,332	127,220	944,430
	9,714,673	2,509,220	58,425,805	4,877,856	965,703	1,348,405	127,220	77,968,882

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

The Group

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

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

The details of land and buildings are as follows:-

The Group

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Total RM
<u>Cost/Valuation</u>					
Balance at 1 July 2014	4,161,603	900,000	9,311,794	30,662,364	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

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

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

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

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

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

The Company

	Renovation RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
<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	<u>379,579</u>	<u>693,977</u>	<u>1,800</u>	<u>1,075,356</u>

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

The Company

	Renovation RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
<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

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

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5. INVESTMENT PROPERTIES (cont'd)

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

^(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

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6. PROPERTY DEVELOPMENT ACTIVITIES (cont'd)

Land Held for Property Development (cont'd)

(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

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

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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)
	<u>89,989,277</u>	<u>74,689,518</u>

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. ^(a)	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. ^(b)	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. ^(a)	Malaysia	0.00%	100.00%	Manufacture of precision moulds and parts
Omni Value Chain Sdn. Bhd. ^(a)	Malaysia	0.00%	100.00%	Supply chain management

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8. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2016	2015	
Polytool Technologies Sdn. Bhd. ^(a)	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. ^(b)	Singapore	59.88%	59.88%	Manufacture of semiconductor assembly and testing equipment
United Manufacturing Corporation Pte. Ltd. ^(b)	Singapore	0.00%	60.00%	Dissolved
<u>Subsidiaries of Lipo Corporation Sdn. Bhd.</u>				
Bend Weld Engineering Sdn. Bhd. ^(a)	Malaysia	100.00%	0.00%	Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment
Maker Technologies Sdn. Bhd. ^(a)	Malaysia	100.00%	0.00%	Manufacture of precision moulds and parts
Micro Surface Treatment Sdn. Bhd.	Malaysia	88.00%	88.00%	Precision plating and surface treatment

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8. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2016	2015	
<u>Subsidiaries of Lipo Corporation Sdn. Bhd. (cont'd)</u>				
Omni Value Chain Sdn. Bhd. ^(a)	Malaysia	100.00%	0.00%	Supply chain management
Paradigm Metal Industries Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of precision metal stamping, sheet metal and die casting parts
Paradigm Precision Components Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of precision machined components
Paradigm Precision Machining Sdn. Bhd.	Malaysia	100.00%	100.00%	Inactive
Polytool Technologies Sdn. Bhd. ^(a)	Malaysia	100.00%	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	100.00%	100.00%	Property development

^(a) Disposed of to Lipo Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company

^(b) Not audited by Crowe Horwath

9. INVENTORIES

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

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10. RECEIVABLES

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

The currency profile of receivables is as follows:-

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

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	37,985	129,416
Impairment loss recognised	199,995	37,985
Impairment loss reversed	(8,345)	(31,613)
Impairment loss written off	0	(97,803)
Balance at 30 June	<u>229,635</u>	<u>37,985</u>

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

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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.

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10. RECEIVABLES (cont'd)

Subsidiaries (cont'd)

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.

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 ^(a)	3,400,000	0	0	0
Impairment loss written off	0	(100,692)	0	(1,572)
Balance at 30 June	<u>3,400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

^(a) 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.

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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	<u>10,750</u>	<u>0</u>

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 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	<u>22,940,321</u>	<u>18,224,357</u>	<u>9,703,745</u>	<u>9,471,088</u>
	<u>29,343,765</u>	<u>28,018,376</u>	<u>11,165,143</u>	<u>16,379,205</u>

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.

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.

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12. CASH AND CASH EQUIVALENTS (cont'd)

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

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

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

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

13. PAYABLES

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

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

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13. PAYABLES (cont'd)

The currency profile of payables is as follows:-

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

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

Trade Payables

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

Subsidiaries

The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable on demand except for an amount of 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)	9,413,298	8,821,889	9,413,298	8,821,889
Unsecured:-				
- Term loans (floating rate)	1,034,885	1,921,766	0	0
- Revolving credit (floating rate)	975,775	0	0	0
	<u>2,010,660</u>	<u>1,921,766</u>	<u>0</u>	<u>0</u>
	<u>11,423,958</u>	<u>10,743,655</u>	<u>9,413,298</u>	<u>8,821,889</u>

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14. LOANS AND BORROWINGS (cont'd)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Disclosed as:-				
- Current liabilities	2,046,275	1,236,770	430,900	349,889
- Non-current liabilities	9,377,683	9,506,885	8,982,398	8,472,000
	<u>11,423,958</u>	<u>10,743,655</u>	<u>9,413,298</u>	<u>8,821,889</u>

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	10,448,183	10,743,655	9,413,298	8,821,889
US Dollar	975,775	0	0	0
	<u>11,423,958</u>	<u>10,743,655</u>	<u>9,413,298</u>	<u>8,821,889</u>

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

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14. LOANS AND BORROWINGS (cont'd)

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

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>

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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).

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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
	<u>1,667,129</u>	<u>1,139,451</u>	<u>518,824</u>	<u>391,812</u>

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

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

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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
	<u>104,750,051</u>	<u>113,918,715</u>	<u>15,378,740</u>	<u>7,241,197</u>

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

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20. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
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

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21. EMPLOYEE BENEFITS EXPENSE

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

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

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

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

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.

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22. TAX EXPENSE (cont'd)

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.

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)	<u>4,458,111</u>	<u>10,636,215</u>
Number of shares in issue as at 1 July	67,352,550	67,352,550
Effect of shares reissued	<u>515,323</u>	<u>0</u>
Weighted average number of shares in issue	<u>67,867,873</u>	<u>67,352,550</u>
Basic earnings per share (sen)	<u>6.57</u>	<u>15.79</u>

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	0	2,020,577
Final single tier dividend of 3 sen per share in respect of the financial year ended 30 June 2015	<u>2,031,023</u>	<u>0</u>
	<u>2,031,023</u>	<u>2,020,577</u>

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

^(a) Being companies in which certain directors have substantial financial interests

^(b) Being a close family member of a director

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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.

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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

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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

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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).

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28. CONTINGENT LIABILITIES - UNSECURED (cont'd)

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.12. 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.

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.

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29. FINANCIAL RISK MANAGEMENT (cont'd)

Currency Risk

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

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

Interest Rate Risk

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

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

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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 2016 RM	Increase/ (Decrease) in Profit 2015 RM	Increase/ (Decrease) in Profit 2016 RM	Increase/ (Decrease) in Profit 2015 RM
Increase in interest rates by 50 basis points	(54,707)	(51,316)	(47,066)	(44,109)
Decrease in interest rates by 50 basis points	54,707	51,316	47,066	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	11,423,958	10,743,655	9,413,298	8,821,889
Total equity	141,992,095	137,601,648	103,941,912	82,521,314
Total capital	153,416,053	148,345,303	113,355,210	91,343,203
Debt-to-equity ratio	0.08 : 1	0.08 : 1	0.09 : 1	0.11 : 1

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

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

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