

**TRANSFORMING OUR BUSINESS
CARING FOR THE PEOPLE**

ANNUAL REPORT 2017



We are guided by our

A.C.T.I.O.N.S.

which underlie the culture of the
KOBAY Group of companies.

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

OUR VISION

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

OUR MISSION

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

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

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

OUR VALUES & BELIEFS

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

CONTENTS

Corporate Information	2
Notice of Annual General Meeting	3 - 5
Statement Accompanying Notice of Annual General Meeting	5
Corporate Structure	6
Board of Directors	7 - 10
Financial Highlights	11
Chairman's Statement	12
Management Discussion & Analysis	13 - 17
Statement on Corporate Governance	18 - 25
Sustainability and Corporate Social Responsibility Statement	26 - 27
Statement on Risk Management and Internal Control	28 - 30
Audit and Risk Management Committee Report	31 - 32
Directors' Responsibilities Statement	33
Other Information	34
Financial Statements	35 - 90
Shareholding Statistic	91 - 93
List of Properties	94 - 95

CORPORATE INFORMATION

Board of Directors

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

Koay Cheng Lye
Executive Director / Chief Administrative Officer

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

Audit and Risk Management Committee

Khaw Eng Peng
Chairman

Koay Ah Bah @ Koay Cheng Hock
Member

Nominating Committee

Khaw Eng Peng
Chairman

Koay Ah Bah @ Koay Cheng Hock
Member

Remuneration Committee

Dato' Seri Koay Hean Eng
Chairman

Khaw Eng Peng
Member

Secretaries

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

Registered Office

3rd Floor, Wisma Kobay,
No. 42-B, Jalan Rangoon,
10400 Georgetown,
Penang.
Tel.: (04) 3711338
Fax : (04) 2261363
Email : cosec@kobaytech.com

Website

www.kobaytech.com

Auditors

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

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

Lim Swee Chuan
Executive Director / Chief Financial Officer

Khaw Eng Peng
Senior Independent and Non-executive Director

Dr. Mohamad Zabdi Bin Zamrod
Member

Dr. Mohamad Zabdi Bin Zamrod
Member

Dr. Mohamad Zabdi Bin Zamrod
Member

Wong Mee Choon (MACS 01562)

Registrar

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

Bankers

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

Stock Exchange Listing

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third (23rd) Annual General Meeting ("AGM") of Kobay Technology Bhd. will be held at 4th Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang on Wednesday, 29 November 2017 at 2.30 p.m. for the following purposes:-

ORDINARY BUSINESS

- | | | |
|----|---|--------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2017 and the Reports of the Directors and Auditors thereon. | |
| 2. | To re-appoint and retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director in accordance with Malaysian Code of Corporate Governance 2012. | Resolution 1 |
| 3. | To re-appoint Mr. Koay Ah Bah @ Koay Cheng Hock as Company Director. | Resolution 2 |
| 4. | To re-elect Mr. Lim Swee Chuan as Company Director, who retires in accordance with Article 95 of the Company's Constitution ("Articles of Association"). | Resolution 3 |
| 5. | To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration. | Resolution 4 |

SPECIAL BUSINESS

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

- | | | |
|----|---|--------------|
| 6. | ORDINARY RESOLUTION
PAYMENT OF DIRECTORS' FEES
"THAT the payment of Directors' fees totaling Ringgit Malaysia Twenty Two Thousand Five Hundred (RM22,500) only to the Non-executive Directors for the financial year ended 30 June 2017 be and is hereby approved." | Resolution 5 |
| 7. | ORDINARY RESOLUTION
AUTHORITY TO ISSUE SHARES IN ACCORDANCE TO SECTION 76 OF THE COMPANIES ACT, 2016
"THAT subject always to the Companies Act, 2016 ("the Act") and the approvals from the relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to Section 76 of the Act, to issue and allot shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit PROVIDED THAT the aggregate number of shares to be issued (inclusive employee share option scheme exercised by the employees, if any) pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company." | Resolution 6 |
| 8. | ORDINARY RESOLUTION
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY
"THAT subject to the compliance by the Company with all applicable laws, regulations and guidelines pursuant to the Act, the Company's Constitution ("Articles of Association"), the Main Market Listing Requirements of Bursa Securities and the approvals of all relevant authorities, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares in the Company ("shares") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company PROVIDED THAT the maximum number of shares purchased and/or held pursuant to this resolution does not exceed ten per cent (10%) of the issued share capital of the Company at any given point in time and that the maximum amount of fund allocated by the Company for the purpose of purchasing the shares shall not exceed the retained profits account of the Company." | Resolution 7 |

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. ORDINARY RESOLUTION

Resolution 7

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

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

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

whichever occurs first.

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

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

BY ORDER OF THE BOARD

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

Penang, 31 October 2017

NOTES :

1. A member of the Company entitled to attend and vote, is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 5.00 p.m. on 22 November 2017. Only a depositor whose name appears on the Record of Depositors as at 5.00 p.m. on 22 November 2017 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy/(ies) to attend and vote on his stead.
3. The instrument of appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or the appointer is a corporation, either under the corporation's seal, or under the hand of the attorney or duly authorized officer.
4. If a member appoints 2 proxies, the appointment will be invalid unless he states the percentage of his shareholding to be represented by each proxy.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3rd Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post or fax to (04)-2261363. In the case where the member is a corporation and the proxy form is delivered by fax, the original form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES :

Resolution 1

To re-appoint Dr. Mohamad Zabdi Bin Zamrod whose appointment is expiring in the forthcoming AGM (for which he was re-appointed under Section 129(6) of the Companies Act, 1965 in the last AGM on 14 December 2016) and to retain him as Independent Director of the Company in accordance with Malaysian Code of Corporate Governance 2012.

The Nominating Committee has assessed the independency of Dr. Mohamad Zabdi Bin Zamrod, who has served as Independent and Non-executive Director for a cumulative term of more than 9 years, and recommended to Board of Directors to retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director whereby the Board recommends and proposes to the shareholders' approval to retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director of the Company on the following justifications :-

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

Resolution 2

To re-appoint Mr. Koay Ah Bah @ Koay Cheng Hock whose appointment, for which he was re-appointed under Section 129(6) of the Companies Act, 1965 in the last AGM held on 14 December 2016, is expiring in the forthcoming AGM.

Resolution 5

The proposed Ordinary Resolution under item 6 is to obtain shareholders' approval for the payment of Directors' fees totalling Ringgit Malaysia Twenty Two Thousand Five Hundred (RM22,500) only to three (3) Non-executive Directors for the financial year ended 30 June 2017 as required under Article 103 of the Company's Constitution.

Resolution 6

A mandate was sought and approved by the members during the Twenty-Second (22nd) AGM held on 14 December 2016. No new shares were issued and no proceeds were raised from the previous mandate.

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

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

Resolution 7

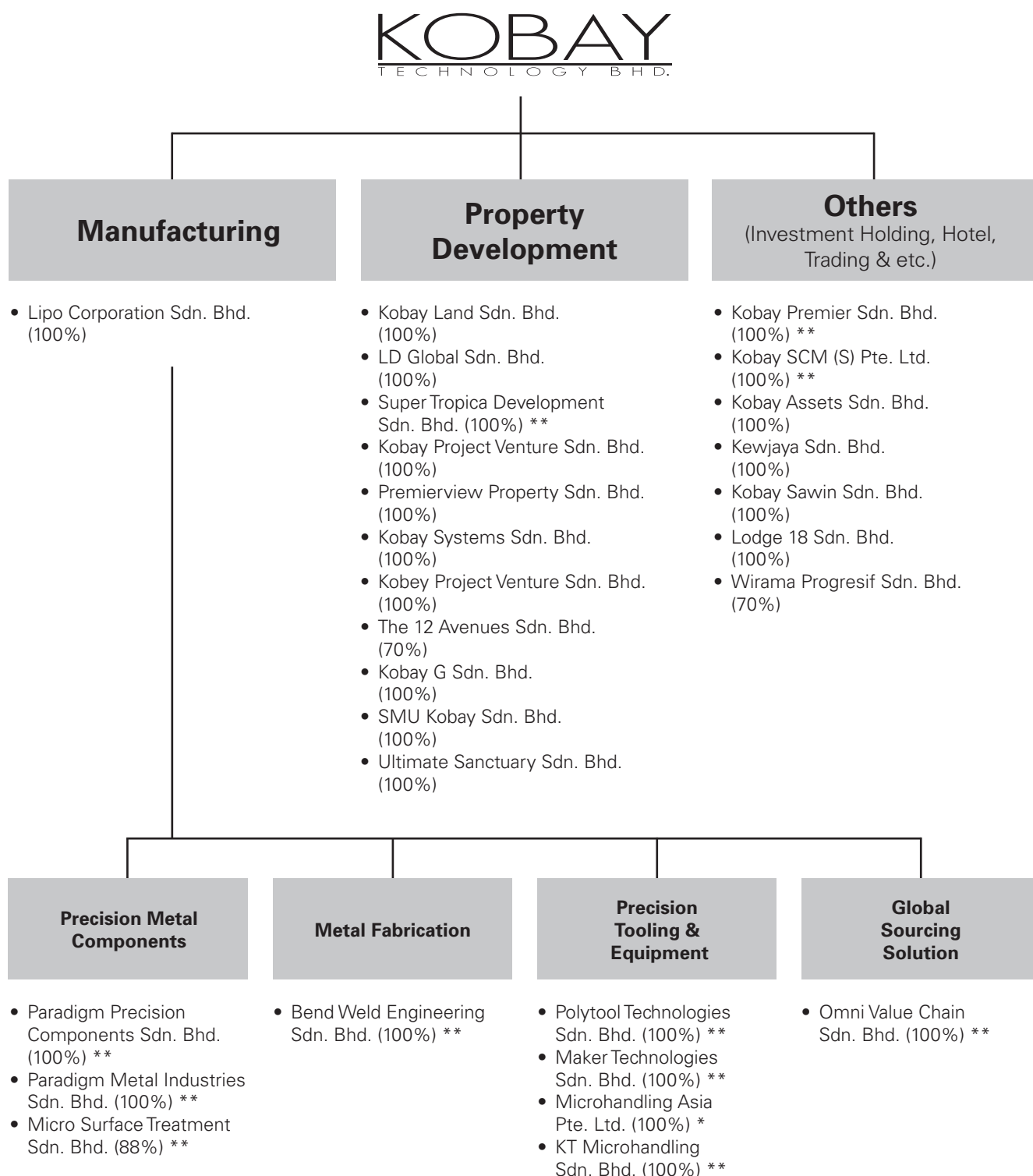
The proposed Ordinary Resolution under item 8 is of renewal and if passed, will allow the Company to purchase up to ten per cent (10%) of the issued share capital of the Company at any given point in time. This authority unless revoked or varied at the general meeting, will expire at the next AGM. The details of this proposal are set out in the Statement to Shareholders dated 31 October 2017.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The profile of the Directors who are standing for re-appointment and re-election (as per Resolution 1-3 as stated in the Notice of Annual General Meeting) at the Twenty-Third (23rd) Annual General Meeting of Kobay Technology Bhd. which will be held at 4th Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang on Wednesday, 29 November 2017 at 2.30 p.m., are stated on page 7 & 8 of the Annual Report 2017.

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

CORPORATE STRUCTURE



Notes : -

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

** Subsidiary of Lipo Corporation Sdn. Bhd.

BOARD OF DIRECTORS

Dr. Mohamad Zabdi Bin Zamrod

Malaysian, aged 75, Male

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

Dr. Mohamad Zabdi bin Zamrod graduated with Doctorate in Curriculum and Teaching from the Columbia University, New York. He was a lecturer in Universiti Sains Malaysia and has vast experience in education field.

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

Dr. Mohamad Zabdi has been re-appointed under Section 129(6) of the Companies Act 1965 during the last Annual General Meeting held on 14 December 2016 and his term will be expired in the forthcoming Annual General Meeting. Furthermore, pursuant to the Malaysian Code of Corporate Governance 2012, Dr. Mohamad Zabdi's retainment as Independent Director of the Company is subject to the members' approval in the forthcoming Annual General Meeting. After due consideration, both the Nominating Committee and the Board of Directors, for which Dr. Mohamad Zabdi has been abstained in voting, proposed to re-appoint and retain Dr. Mohamad Zabdi as Independent Non-executive Director of the Company.

Dr. Mohamad Zabdi does not hold any shares in the Company as of 29 September 2017.

Dato' Seri Koay Hean Eng

Malaysian, aged 59, Male

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

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

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

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

As of 29 September 2017, Dato' Seri Koay has direct shareholding of 2,481,231 ordinary shares and indirect shareholding of 26,284,510 ordinary shares via Kobay Holdings Sdn. Bhd., the major shareholder of the Company, by virtue of his substantial direct interest in Kobay Holdings Sdn. Bhd..

Koay Cheng Lye

Malaysian, aged 69, Male

Chief Administrative Officer/Member of Executive Committee

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

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

As of 29 September 2017, Mr. Koay has direct shareholding of 1,588,492 ordinary shares in the Company and indirect shareholdings of 26,284,510 ordinary shares, via Kobay Holdings Sdn. Bhd., a major shareholder of the Company by virtue of his direct shareholding in Kobay Holdings Sdn. Bhd..

BOARD OF DIRECTORS (CONT'D)

Koay Ah Bah @ Koay Cheng Hock

Malaysian, aged 71, Male

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

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

As of 29 September 2017, Mr. Koay has direct shareholding of 1,326,997 ordinary shares in the Company and indirect shareholdings of 26,284,510 ordinary shares, via Kobay Holdings Sdn. Bhd., a major shareholder of the Company by virtue of his direct shareholding in Kobay Holdings Sdn. Bhd..

Mr. Koay Ah Bah @ Koay Cheng Hock has been re-appointed under Section 129(6) of the Companies Act 1965 during the last Annual General Meeting held on 14 December 2016 and his term will be expired in the forthcoming Annual General Meeting. After due consideration, both the Nominating Committee and the Board of Directors, for which Mr. Koay has been abstained in voting, proposed to re-appoint Mr. Koay Ah Bah @ Koay Cheng Hock as Non-independent Non-executive Director of the Company.

Lim Swee Chuan

Malaysian, aged 51, Male

Chief Financial Officer/Member of Executive Committee

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

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

Mr. Lim Swee Chuan has no direct/indirect shareholding in Kobay as of 29 September 2017.

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

Khaw Eng Peng

Malaysian, aged 50, Male

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

Mr. Khaw Eng Peng is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. He joined Messrs. Coopers and Lybrand (now merged under the firm PricewaterhouseCoopers) in 1993 attaching to audit and compliance services division and he left in 1996 as Assistant Audit Manager. He then joined Oriental Interest Berhad ("OIB") Group as Senior Manager in Finance and Administration Department. In year 2001, he has promoted to Assistant General Manager overseeing all financial reporting, corporate compliance and administration aspects for OIB group. Mr. Khaw was appointed as Executive Director of OIB on 5 November 2007 and was re-designated as Chief Financial Officer on 13 December 2013 after he resigned from OIB Board. In year 2016, Mr. Khaw left OIB to pursue his personal business.

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

Mr. Khaw Eng Peng has no direct/indirect shareholding in Kobay as of 29 September 2017.

BOARD OF DIRECTORS (CONT'D)

KEY SENIOR MANAGEMENT

Koay Wooi Tatt

Malaysian, aged 40, Male

Chief Operating Officer – Manufacturing Division/Member of Executive Committee

Mr. Koay Wooi Tatt was appointed as Chief Operating Officer of Kobay on 10 October 2016 taking charge of the entire operations for the Manufacturing Division.

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

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

Mr. Koay Wooi Tatt is son of Mr. Koay Ah Bah @ Koay Cheng Hock and nephew of Dato' Seri Koay Hean Eng and Mr. Koay Cheng Lye.

As of 29 September 2017, Mr. Koay Wooi Tatt has direct shareholding of 475,875 ordinary shares in the Company

Koay Zee Ee

Malaysian, aged 30, Male

Chief Operating Officer – Property Development Division

Mr. Koay Zee Ee was appointed as Chief Operating Officer of Kobay on 18 August 2017 taking charge of the entire operations for the Property Development Division.

He started his career as Management Trainee in Kobay Group in February 2006. In the same year, he was promoted to General Manager in Bend Weld Engineering Sdn. Bhd. ("BWE"), a wholly owned subsidiary of Kobay, responsible for managing the business unit that specializing in manufacturing of equipment and structures for the subsea oil and gas industry. He has managed to build the foundation of business and manufacturing excellence of BWE and relocate the business to Johor Bahru as well as expanded its customer base.

In year 2016, he was transferred back to Kobay as Personal Assistant to Chief Executive Officer ("CEO") after the Company diversified into property development. During his service as Personal Assistant to CEO, he has assisted the CEO in strategic planning, new projects and investments in property development of Kobay Group. Mr. Koay Zee Ee was appointed as Chief Operating Officer of Kobay Group for Property Development Division on 18 August 2017.

Mr. Koay Zee Ee is son of Dato' Seri Koay Hean Eng, our CEO and nephew of Mr. Koay Cheng Lye and Mr. Koay Ah Bah @ Koay Cheng Hock.

He has no directorship in any company and Kobay.

He has no direct/indirect shareholding in Kobay as of 29 September 2017.

OTHER INFORMATION

Family Relationship

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

The Chief Operating Officer for Manufacturing Division, Mr. Koay Wooi Tatt is the son of Mr. Koay Ah Bah @ Koay Cheng Hock and nephew of Dato' Seri Koay Hean Eng and Mr. Koay Cheng Lye. The Chief Operating Officer for Property Development Division, Mr. Koay Zee Ee is the son of Dato' Seri Koay Hean Eng and nephew of Mr. Koay Ah Bah @ Koay Cheng Hock and Mr. Koay Cheng Lye.

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

BOARD OF DIRECTORS (CONT'D)

OTHER INFORMATION (CONT'D)

Conflict of Interest

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

Conviction for Offences

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

Number of board meetings attended in the financial year ended 30 June 2017

Four (4) board meetings were held during the financial year ended 30 June 2017. Details of attendance of Directors at the board meetings are as follows:

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

Directors' and Substantial Shareholders' Interests

Name	No. of shares held in Kobay as at 29.09.2017			
	Direct No. of ordinary shares	% ^	Indirect No. of ordinary shares	% ^
Directors				
Dato' Seri Koay Hean Eng	2,481,231	2.43	*26,284,510	25.76
Koay Cheng Lye	1,588,492	1.56	*26,284,510	25.76
Koay Ah Bah @ Koay Cheng Hock	1,326,997	1.30	*26,284,510	25.76
			#951,750	0.93
Lim Swee Chuan	—	—	—	—
Khaw Eng Peng	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
Substantial Shareholders				
Kobay Holdings Sdn. Bhd. ("KHSB")	26,284,510	25.76		
Norinv Kapital Sdn. Bhd.	19,904,700	19.50		
Dato' Seri Koay Hean Eng	2,481,231	2.43	*26,284,510	25.76
Koay Cheng Lye	1,588,492	1.56	*26,284,510	25.76
Koay Ah Bah @ Koay Cheng Hock	1,326,997	1.30	*26,284,510	25.76
			#951,750	0.93

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

Notes:-

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

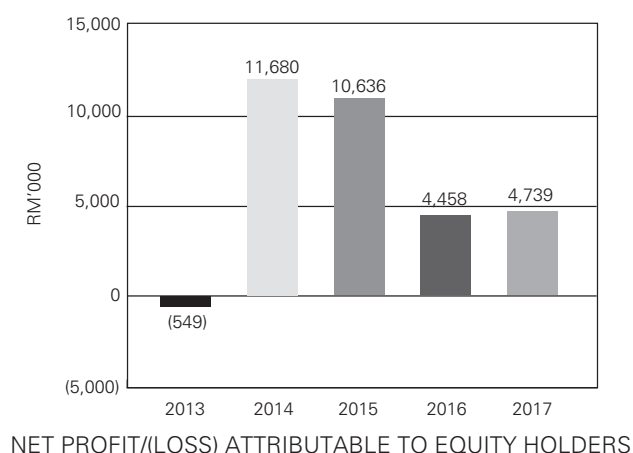
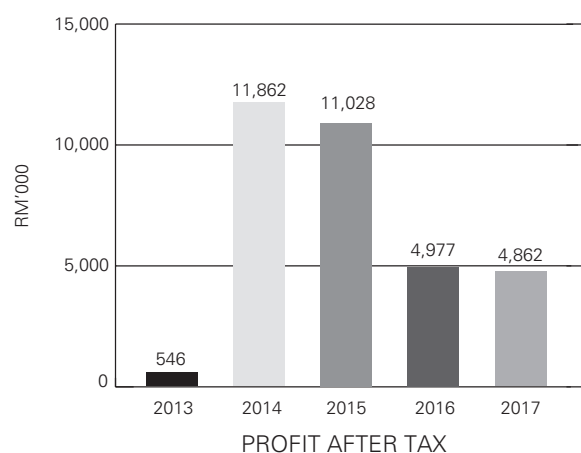
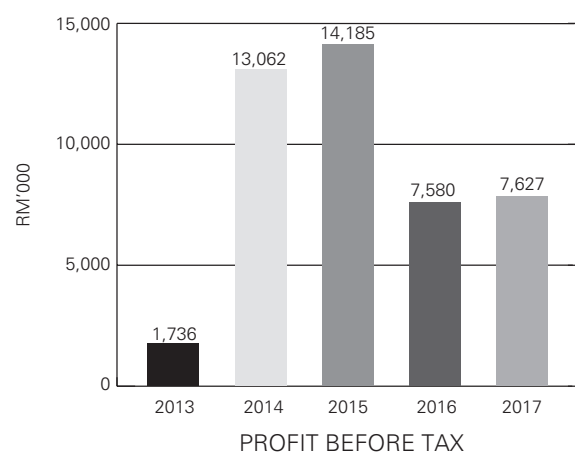
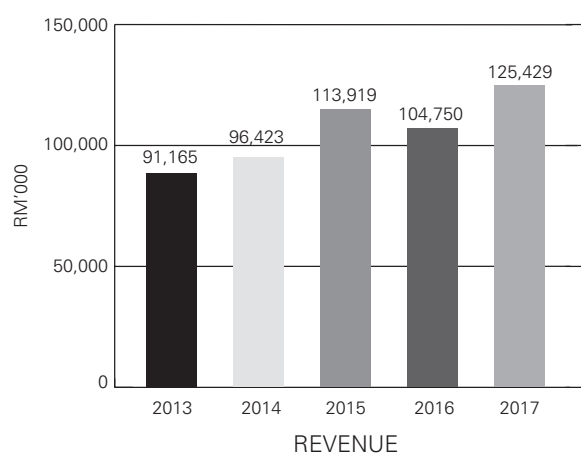
^ The percentage of shareholding is calculated based on 102,038,601 ordinary shares after deducting 55,000 treasury shares from the issued share capital of the Company.

Deemed interested by virtue of the interest in shares of his son, Mr. Koay Wooi Seong and Mr. Koay Wooi Tatt pursuant to section 59(11)(c) of the Companies Act, 2016.

FINANCIAL HIGHLIGHTS

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Statement of Comprehensive Income					
Revenue	91,165	96,423	113,919	104,750	125,429
Profit before tax	1,736	13,062	14,185	7,580	7,627
Profit after tax	546	11,862	11,028	4,977	4,862
Net profit/(loss) attributable to equity holders	(549)	11,680	10,636	4,458	4,739
Statement of Financial Position					
Total Assets	143,447	165,768	172,607	182,255	191,242
Total Borrowing	2,954	12,389	10,744	11,424	12,208
Equity attributable to owners of the Company	118,327	129,148	136,462	140,325	145,755
Financial Indicators					
Earning/(Loss) per share (sen) ^(a)	(0.54)	11.56	10.53	4.38	4.65
Gearing ratio (%)	2.46	9.54	7.81	8.05	8.35
Net assets per share (RM)	1.76	1.92	2.03	2.06	1.43
Tax exempt dividend per share (sen)	2.00	3.00	3.00	–	–
Share price as at the financial year end (RM)	0.64	1.20	1.18	1.23	1.03
Price earning (PE) ratio as at financial year end (times) ^(a)	–	10.38	11.21	28.08	22.15

(a) Restated for FYE 2013 to FYE 2016 to reflect the retrospective adjustments arising from the bonus issue completed in FYE 2017



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Kobay Technology Bhd. and its subsidiaries ("the Group") for financial year ended 30 June 2017.

BUSINESS OVERVIEW

In the financial year under review, global business environment was on a stable mode as compared to last year. There were improvements in business sentiment and economic activities of world's economic powerhouses, namely United States of America ("US"), China and European Union. The global economic growth was on a recovery path. In Malaysia, there was recovery as well with the February 2017 export growth rate achieved a seven-year high. The Malaysia's external trade performance was on an optimistic recovery path aided by demand improvements from the global economic recoveries.

These have benefited the manufacturing sectors where our businesses are primarily operated in. However, the oil and gas sector of which one of the subsidiaries is involved in is still struggling with low oil exploration activities. The oil majors still practice cautious capital expenditures and giving out fewer oil and gas fabrication orders. As for the property development division, we are still saddled with operating loss caused by property development operating expenses on new projects that are yet to be launched.

For the financial year ended 30 June 2017, we have a slight improvement with profit attributable to owners of the parent of RM4.7 million as compared to last year's RM4.4 million. As for revenue, we achieved RM125.4 million as compared to last year's RM104.7 million. The Precision Metal Components segment remained as the key contributor to the Group's results, contributing RM9.7 million of profit after taxation. The Metal Fabrication segment suffered a loss after taxation of RM1.9 million as a result of low orders and Property Development Division still saddled with project start-up costs and registered a loss after taxation of RM2.3 million.

OUTLOOK AND PROSPECT

Looking forward on economy outlook, on domestic front, economists have forecasted that the Ringgit may stabilize further in the coming months as US Dollar weakens, with additional boosts from a combination of foreign fund inflows and requirement of exporters converting three quarters of their earnings back into Ringgit. The local business activities will be rejuvenated with influx of China's investment into our economy under the China's One Belt, One Road project initiatives and the launch of Digital Free Trade Zone in March 2017 that promotes establishment of global distribution hub in Malaysia. All these will provide a conducive business environment and spur the domestic economic growth. We will ride on these good business atmosphere and elevate our Group forward to next level of growth.

However, in the global arena, we will have to watch out for the impact of US's new administration directions and measures which bring wide implications on geopolitics and world trades. We are mindful of these uncertainties going forward and will manage accordingly when the implications become more clarity.

DIVIDENDS

For the financial year ended 30 June 2017, the Board of Directors does not recommend any dividend to conserve cash for business operations.

APPRECIATION

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

Thank you.

DR. MOHAMAD ZABDI BIN ZAMROD

Independent and Non-executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS 2017

FY2017 was a progressive year for the Group's Manufacturing Division which continued to deliver steady growth in both of its conventional electronic related business and the newly ventured aerospace components business. Although the bottom line profit for the year did not meet the expected return, the upsurge in top line revenue laid a solid foundation for further growth in coming years.

REVIEW OF RESULTS

The Group's revenue grew by 19.7% from RM104.7 million in FY2016 to RM125.4 million in FY2017. However, the Group's profit after tax for FY2017 was stagnant at the level of RM4.9 million compared to previous year. The main factor of the stagnant performance was attributed to the Metal Fabrication business segment and Property Development Division that suffered losses of RM1.9 million and RM2.3 million respectively during the financial year.

Manufacturing Division

The Precision Metal Components segment of the Group's Manufacturing Division achieved a remarkable growth in revenue by recording total revenue of RM93.2 million in FY2017, an increase of RM23.9 million (34.6%) from preceding year. The upsurge in revenue was mainly contributed by its electronics business which was in line with the electronics industry upturn, coupled with steady growth in aerospace components business. However, despite of higher revenue recorded for the Precision Metal Components segment, the segment's net profit grew marginally from RM9.6 million in preceding year to RM9.7 million in current year. The aerospace business of the segment had not delivered an impressive bottom line yet for the current year as high influx of new orders from aerospace business which comprised of high products mix required high set-up costs, and unproductive times were spent on first article samples and machine set up time, resulted in lower productivity.

The Precision Tooling and Equipment segment managed to sustain its performance by achieving a humble net profit of RM1.6 million, an increase of RM0.4 million from the previous year's profit of RM1.2 million. The improvement was in line with the recovery in semiconductor industry where the Precision Tooling and Equipment segment was heavily engaged on.

The Group's result was dampened by the unfavorable performance of the Metal Fabrication segment that was badly affected by the downturn in its oil & gas business, and consequently, the Metal Fabrication segment suffered a net loss of RM1.9 million.

Property Development Division

The Property Development Division that was still operating at its infancy development stage suffered a net loss of RM2.3 million, mainly due to project start-up costs incurred. During the year under review, the Property Development Division generated its first revenue of RM2.3 million from the zero ground in last financial year

REVIEW OF OPERATIONS

The Group's operations are divided into the following two major divisions, predominated by Manufacturing Division, with Property Development Division that is yet to deliver its contribution.

(1) Manufacturing Division

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

(2) Property Development Division & Others

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

Manufacturing Division

Precision Metal Components Segment

Precision Metal Components is presently the core business segment of the Manufacturing Division as well as for the Group, which contributed about 74% of the Group revenue in FY2017. This segment engages in high precision engineering manufacturing processes covering precision machining, metal stamping, sheet metal works, die casting and surface treatment.

The Precision Metal Components business units manufacture high precision engineering components that meet the stringent quality requirements of its multinational customers mainly from semiconductors, electronics, aerospace and medical industries. These business units have obtained various recognized quality accreditations such as AS9100, ISO9001, ISO14001 as well as NADCAP which equipped the business segment with readiness and competitive advantages to meet the requirements of multinational corporations.

MANAGEMENT DISCUSSION AND ANALYSIS 2017 (CONT'D)

REVIEW OF OPERATIONS (CONT'D)

Precision Metal Components Segment (cont'd)

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

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

FY2017 was a great achievement year for Precision Metal Components segment as a whole as it managed to record another sustainable solid growth in term of revenue, by recording an increase of 34.6% as compared to last financial year. Although the net profit for this segment was merely recording an increase of about 2% compared to preceding financial year, it was indeed a positive progress where the segment has managed to inject a new revenue stream from the aerospace business to its existing business source.

In FY2017, aerospace business contributed approximately 20% of the Group's revenue. Revenue derived from this business source had increased by about 45% from the previous year's revenue of RM17.7 million. Although the aerospace business had grown impressively over the years, it is indeed a challenging business. Apart from high compliance standards and complexity of the products, the high mix-low volume product mix structure posted a great challenge to the business units' production management in achieving the optimum production level at an efficient manner. This is one of the business risk and challenge that the business units ought to overcome and the management is positive that there are ample rooms for improvement.

As immediate strategy, all of the business units shall embark on various productivity plans to stimulate its manufacturing output and strengthen the in house product quality performance to further improve the top and bottom lines. These include segregation of the new aerospace business from the existing conventional electronics and semiconductors business into different plants, management teams, workforce and production facilities to allow better focus and specialization. Besides, continuous efforts in hiring local and skilled production machinists are paramount to ensure capacity in full swing. The lack of skilled workers in local market is a significance operations risk that the management need to overcome. Over the years, the business units have been engaged with local institutions and colleges by providing internship training to the undergraduates as one of the ways to attract skilled and talent workers.

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

After all, as always being emphasized by the business units, reforming engineering strength is imperative to seize more business opportunities and cost saving from innovative improvement programme. On the new aerospace business, the management is ambitious of moving up the product value chain to secure more high-end and complicated products mix, from the present mix of accessories base to aircraft engine structure and components.

Precision Metal Components business segment shall continue to focus on organic growth in FY2018. During the current financial year, it invested RM3.6 million of capital expenditure in term of machineries and upgrading of facilities, to meet the requirements of new orders from aerospace business, as well as to improve the productivity of its conventional electronics and semiconductors business. It shall continue to invest in high end machineries including multiple axis CNC machines to cater for business growth, modernization and keep abreast with the latest technology to maintain its competitive advantage. Besides, the segment will emphasize in establishing a robust quality system at plant wide as it is vital for product quality assurance and traceability of those high end products, as well as further investment in human talent.

Precision Tooling and Equipment Segment

The Precision Tooling and Equipment business units are operating in a matured industry that mainly serves the semiconductor industry. This segment achieved a better result this year, mainly due to recovery of semiconductor industry, coupled with its strategic move of relocating its Singapore equipment business unit to Penang, which resulted in better logistic management and lower operating costs.

MANAGEMENT DISCUSSION AND ANALYSIS 2017 (CONT'D)

REVIEW OF OPERATIONS (CONT'D)

Precision Tooling and Equipment Segment (cont'd)

Semiconductor industry is highly competitive. The Precision Tooling and Equipment business units face significance competition risk at its home ground which had been a matured market for the high precision engineering supply chain. Price war from local competitors may cause the business units to be caught in low profit margin trap. To remain competitive and sustainability, these business units plan to extend its market to undiscovered integrated design manufacturer and outsource assembly test manufacturer in central and southern region of Malaysia.

Metal Fabrication Segment

The Metal Fabrication business unit mainly involves in manufacturing of heavy metal works and structures, modules and parts for oil and gas production and extraction equipments. Its customers include international oil and gas majors that operating in oil and gas hub in Port Klang, Johor and Singapore.

For FY2017, this business unit suffered a net loss of RM1.9 million compared to profit of RM0.2 million in FY2016. For the past two years, this business unit had been badly affected by the down turn in oil & gas industry where the business unit operated in.

Currently the Metal Fabrication business relies heavily on subsea segment of the oil and gas industry. This causes major business risk especially when the oil and gas exploration activity is down. To mitigate its business risk, the management plans to broaden its exposure to other equipment supplies such as top side module fabrication, skid packages, pressure vessel and on-shore products. Should opportunity arise, the Metal fabrication business unit may explore the business in aerospace industry as well, targeting the relevant structural works and support equipments required by the industry.

Property Development Division

The Property Development Division is still operating at small scale basis, pending approvals from the relevant authorities and launching of certain phases of the current undertaking projects.

Currently the Property Development Division owns three parcels of freehold land at the following location :

- Langkawi, Kedah – 6.3 acres
- Tanjung Bungah, Penang – 1.5 acres
- Sungai Nibong, Penang – 2.0 acres

The aforesaid lands were acquired by the Group via internally generated fund without borrowing.

Below are the ongoing development projects undertaken by the Property Development Division :

- ***Lavanya Residence, Langkawi***

This development features a luxury serviced residences to be developed on a 6.3 acres freehold land that strategically located at the tourist hotspot area of Pantai Tengah, Langkawi. The development project plans to build 37 units of serviced villas in Phase 1 and a block of serviced apartments & studio in Phase 2. The estimated gross development value for the serviced villas is RM76 million whereas the serviced apartment & studio that are yet to be approved by the authorities is estimated to be RM212 million. In July 2015, the project obtained Advertising Permit and Developer's License ("APDL") from the authority for 27 units of the serviced villas whilst the approval for the remaining sub-phase of 10 units is expected to be obtained by October 2017. As of the date of this report, the serviced villas units recorded confirmed sales of RM29.7 million. For the Phase 2 serviced apartment and studio, the management targets to obtain APDL by middle of 2018.

During the "Star Property Awards 2017" competition, Lavanya Residences was awarded Certificate of Merit for The Niche & Unique Award (Best Boutique Development).

MANAGEMENT DISCUSSION AND ANALYSIS 2017 (CONT'D)

REVIEW OF OPERATIONS (CONT'D)

Property Development Division (Cont'd)

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

With a land size of 19.5 acres, this joint development project is set to be one of the exclusive strata gated and guarded residential development in Seri Manjung, Perak. Situated at the heart of the fast growing town of Seri Manjung and beside the Sungai Lumut river, the intended development will combine the beauty of river view into the gated community which plan to house mixed residential components with centralized clubhouse, which targeted to generate a total estimated gross development value of RM255 million. On 9 August 2016, the project obtained the APDL for Phase 1. However, the management decided to revamp the entire development plan into a project that capitalize the strength of the said land and at the same time produce a better product mix that suits the local market demand. The management is currently reviewing the entire development project and will resubmit its plan to the authorities in due course.

Future Project Development

Below are the projects that are still under planning stage:

- Own development project on a 1.5 acres land in Tanjung Bungah, Penang
- Own and Joint development project on a 3 acres land in Sungai Nibong, Penang
- Joint development project on a 5.5 acres land in Bukit Mertajam, Penang
- Joint development project on a 1.6 acres land in Mukim Batu, Kuala Lumpur
- Joint development project on a 1.3 acres land in Sungai Renggam, Selangor

The management is fully alert of the market risk in view of the present poor property market condition. As such, it will exercise its prudence and cautious stand when dealing with land acquisition and project launching. For each of the launched project, the management will withhold the construction works until the confirmed sales reach the targeted break-even point. This is to prevent unnecessary project cashflow pressure and over-gearing. To further strengthen the Group's property development business which is currently at infancy stage, the Group had recruited experienced operations and marketing heads to spearhead the projects.

FINANCIAL POSITION

The Group's financial positions remain healthy with cash and cash equivalents stood at RM25.0 million as at 30 June 2017 as compared to last year's RM26.7 million. The net assets per ordinary share attributable to owners of the parent stood at RM1.43 as compared to RM2.06 in preceding year. The decrease was mainly due to the completed bonus issue exercise that enlarged the share capital from RM68.0 million to RM102.0 million. The gearing ratio remained at healthy and manageable level of 0.08 times.

OUTLOOK AND PROSPECT

Federation of Malaysian Manufacturers (FMM) in its recent survey conducted in June/July 2017 reported that signs of a manufacturing boom are emerging, with factory owners projecting higher output in the second half of the year on strong export sales and robust domestic demand. In the first half of 2017, the nation's export grew 21% to RM451 billion. Solid manufacturing and exports helped Malaysia's economy expanded 5.8% in the three months ended 30 June 2017, the fastest pace in two years. FMM's latest survey showed that business activity has remained fairly stable for Malaysian manufacturing firm in recent months while the outlook for the second half of 2017 is favourable (Source : the Starbiz, 24 August 2017).

The Semiconductor Industry Association (SIA), representing U.S. leadership in semiconductor manufacturing, design and research, reported in June 2017 that the global semiconductor market has grown at an impressive rate through the beginning of 2017, culminating with April year-to-year growth of 21%, the global market's largest increase in nearly seven years. The global market is projected to experience significant annual growth this year, with slower growth expected next year and roughly flat sale in 2019. Further, in its report released in September 2017, SIA reported that worldwide sales of semiconductors reached USD33.6 billion for July 2017, an increase of 24% compared to July 2016 and 3.1% more than the June 2017's total of USD32.6 billion. "The worldwide semiconductor sales increased on a year-to-year basis for the twelfth month in July, reflecting impressive and sustained growth for global semiconductor market", said John Neuffer, president of SIA.

In August 2017, International Trade and Industry Minister, Datuk Seri Mustapa Mohamed projected that the Malaysia's aviation products and components exports will grow by at least 20% in 2017 compared to RM5.5 billion in 2016. Malaysia's aviation sector will remain attractive for both local and foreign players with RM1 billion in new investments expected to be approved this year (Source : the Sun, 16 August 2017).

MANAGEMENT DISCUSSION AND ANALYSIS 2017 (CONT'D)

OUTLOOK AND PROSPECT (CONT'D)

The above forward looking indicators suggest that global and Malaysia's manufacturing segments remain positive in 2017 and the succeeding year.

The Group will continue to leverage on its Manufacturing Division, especially Precision Metal Components segment for growth. The Precision Metal Components segment will tap its niche position and competitive advantage in the aerospace industry and move up the value chain for more complex and high value added products. This segment has received strong incoming orders from aerospace industry in FY2017 and the orders are expected to remain strong in FY2018. During the period under review, it has penetrated into Top 10 commercial aircraft OEM manufacturers and is expected to tap a few more in FY2018. In line with the expansion, the Precision Metal Components segment is to invest further in its machine capacity and capability to cope with the increasing business volume.

While expanding the aerospace business, business units that involved in electronics and semiconductor business will still defending their present core business. The semiconductor and electronics business are expected to contribute positively to the Group's earning in coming year.

The Metal Fabrication segment that relies heavily on oil & gas industry may face challenges in defending its bottom line of not falling into red. It is anticipated that the order book of this segment will remain weak due to low oil & gas exploration activities. The business unit will actively explore the potential business opportunities that are available in other industries by utilizing its existing production facilities to weather through this challenging time while awaiting recovery of the oil & gas industry.

The performance of Precision Tooling and Equipment Division is anticipated to be sustainable in FY2018. The management is in the midst of re-engineering its precision tooling business to supply value-chain business model relying on business networks and goodwill we established since founding of the Group.

Our Property Development Division is operating in a challenging environment. We are anticipating a more progressing construction activities in quarter ending December 2017 for the Lavanya Langkawi Phase 1 Project. In view of the weak property market outlook, we will observe prudence and project sustainability by taking into consideration break-even point before construction commencement. To move forward, the management shall focus in sourcing joint venture project rather than acquiring land bank to avoid over-gearing in development projects.

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

Barring any unforeseen circumstance, the Group is cautiously optimistic to remain profitable in FY2018.

STATEMENT ON CORPORATE GOVERNANCE

The Board strives to ensure that appropriate standard for good corporate governance be practiced throughout the Group and complied therewith to safeguard the stakeholders' interest and in enhancing its shareholders' value. A good corporate governance practice is important to the long term success and business sustainability of the Group. The new Malaysian Code of Corporate Governance 2016 ("MCCG 2016") was released by Securities Commission on 26 April 2017. The Board aspires to ensure compliance with the principles and best practices as set out in MCCG 2016 in the coming year.

Pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code of Corporate Governance 2012 (hereinafter referred to as "MCCG 2012" or "the Code"), this Statement explains how the Group has applied the key principals of MCCG 2012 and compliance with the recommendation throughout the financial year ended 30 June 2017.

Principle 1 – Establish Clear Roles & Responsibilities

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

The Company is led and managed by the Board and its Committees whom are not only governed by the relevant legislations and regulations but also the Company's Board Charter and its policies. The Board Charter and its policies are made available at Kobay's website (www.kobaytech.com), setting out the role and responsibilities, code of conduct of individual Board members and all the Board Committees' Term of Reference. The Board will review and revise the Board's Charter every 5 years interval or whenever is necessary in line with the changes in the relevant legislation.

No individual or group of individuals dominates the Board's decision making. Each Director contributes his skill, experiences and expertise accordingly and each agenda/issue raised is carefully considered during Board meeting. Documents and information in relation to any corporate or business issue to be discussed in the meeting are furnished to the Board members prior to the meeting. The Board members review updates and/or reports inclusive Board attendance, resolutions passed quarterly, Directors' dealing in Company securities and directorship in other listed entities, financial information, Committees' report, risk management report, external auditor feedback and corporate developments. There were four (4) Board meetings held in the financial year ended 30 June 2017.

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

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

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

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

Setting, reviewing and adopting a strategic plan for the Group

The Chief Executive Officer (CEO), who is also one of the four (4) members of the EXCO for which three (3) are Board members and the other one (1) is our senior management, has been assigned with the task to develop the Corporate Directions of the Group whereby the EXCO will review, deliberate and adopt the corporate objectives. CEO will represent the EXCO to disseminate the Corporate Directions to senior management for them to commence their yearly strategic planning process with related Head of Company (HOC) within the Group. Upon completion, each and every HOC will present to the EXCO its yearly strategic plan and goals for buy-off prior to the commencement of new financial year.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Setting, reviewing and adopting a strategic plan for the Group (cont'd)

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

The EXCO conducted a review on each and every subsidiary company's performance on a quarterly basis. The HOC's performance will be assessed half yearly based on the subsidiary company's performance. Within the Group, a best performed company will receive a yearly Best Performance Company Award whereby the entire company's employees will receive an incentive for celebration of its achievement.

Overseeing the conduct of the Group's business

Each and every subsidiary company is led by the HOC and grouped under respective business divisions, i.e. manufacturing and property development division. They are individually led by respective Chief Operating Officer (COO). The COO will have their own strategic plans and goals that have been approved by the EXCO and they will be evaluated based on the achievement of their key performance indices.

For the financial year ended 2017, EXCO has assigned to the COO to oversee his Division's day to day operation. However, should any transactions which exceed their authorities, the matter shall be brought up to EXCO for its approval. The respective management levels' financial authority limit is clearly defined under Financial Authority Matrix in the Company's Financial Policies and Procedures Manual. As for Board levels, the EXCO's authorities were clearly stipulated in the Board Charter. Any decision which is beyond the responsibility of the EXCO shall be raised to the Board of Directors via the Company Secretary, so that proper notices and/or documents be able to distribute timely to the Board for their consideration and approval.

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

The Group identify, evaluate and manage the principal risks faced by its businesses in a systematic manner and guided by Risk Management Framework which is part of Company's Policies and Procedures Manuals. Risk management activities to mitigate company risks are embedded into subsidiary's strategic plan and goals. The management reports progress of risk management activities in operational meetings and the Chief Financial Officer on behalf of the EXCO presents risk management report quarterly in Audit and Risk Management Committee ("ARMC") meeting. The Internal Audit Department conducts yearly review on the Group's risk management activities and its adequacy and reports to the ARMC.

Succession planning

The EXCO will assess and recruit high caliber and potential candidates from senior management that fit to be their successors and will recommend to the Board in line with the succession planning programme of the Group. The EXCO will then groom the suitable candidate including appointing, training, fixing the compensation of and where appropriate, replacing senior management. During the financial year ended 2017, Mr. WT Koay has been appointed as Chief Operating Officer of Manufacturing Division and member of EXCO. The Board or its Committee will oversee the human capital development process, monitoring and benchmark against pre-determined evaluation criteria before appointment being made.

During the year 2017, the Nominating Committee has recommended to the Board to appoint Mr. Koay Zee Ee as Chief Operating Officer for Property Development Division of the Group. Upon Board approval, the appointment took effect from 18 August 2017.

Investor and shareholder communication

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Company's internal control systems and management information systems

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

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

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

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

Principle 2 – Strengthen Composition

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

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

Notices are also being sent to those Directors whom due for retirement on their reply whether to opt for re-election during the forthcoming Annual General Meeting ("AGM"). Consent letter from retiring Director will be compiled and tabled in the Nominating Committee meeting before the Nominating Committee made any recommendations to the Board to include into the forthcoming AGM's agenda for those retiring Directors that eligible for re-election.

The Nominating Committee meets once yearly and has on 23 August 2016 conducted its meeting on assessment of Directors' performance and for re-electing/re-appointing those Directors whom retired for approval of the members in its AGM set on 14 December 2016.

For the assessment of Directors' performance, re-electing/re-appointing of those retiring Directors for approval of the members in forthcoming AGM, they have been tabled to the Nominating Committee at its meeting set on 24 August 2017 to deliberate on the matters. The assessments and evaluations carried out by the Nominating Committee in discharge of all its functions are properly documented.

In line with MCG 2012, the terms of reference of the Nominating Committee includes review of Board's succession plans and training programmes for the Board and its Committee members. The Board is aware of the gender diversification under the best practice and is consistently looking for female candidates with caliber to balance up the gender diversity of the Board. The Board targets to have at least a lady director to be appointed within the next two (2) years.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 2 – Strengthen Composition (cont'd)

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

Appointment and Re-election of Directors

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

Pursuant to the Companies Act 2016, Directors aged above seventy (70) years old are not required to submit themselves for re-appointment annually. Hence, our two (2) Directors namely Dr. Mohamad Zabdi Bin Zamrod and Mr. Koay Ah Bah @ Koay Cheng Hock will only be re-elected when their terms are due pursuant to the Company's Constitution.

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

Name of Director	Re-election/Re-appointment	Constitution (Articles of Association)/ MCGG 2012/ Companies Act (CA)
Dr. Mohamad Zabdi Bin Zamrod	Independent and Non-executive Chairman	MCGG 2012 & term expires under CA
Mr. Koay Ah Bah @ Koay Cheng Hock	Non-Independent and Non-executive Director	MCGG 2012 & term expires under CA
Mr. Lim Swee Chuan	Chief Financial Officer	Article 95

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

Under MCGG 2012, the Board disclosed herein its gender diversity amongst the management position and Directors of the Board for the financial year ended 30 June 2017.

Category	Total Headcount	Employees Headcount for		% of Employee for	
		Male	Female	Male	Female
Senior Management	16	11	5	68.75	31.25
Chief Executive #	4	4	0	100.00	0.00
Board of Directors*	3	3	0	100.00	0.00

Three (3) Chief Executives (i.e Chief Executive Officer, Chief Administrative Officer, Chief Financial Officer) who are also member of the Board of Directors

* excludes Non-executive Directors

Remuneration Committee

The Remuneration Committee comprising two (2) Independent and Non-executive Directors and one (1) Executive Director was set up in year 2001 and its detailed composition is set out on page 2 of this Annual Report. The Remuneration Committee reviews and recommends the suitable salary and benefits package for Executive Directors in accordance with its Group Human Resource Policy and Procedures. The said Policy will be reviewed and revamped, if necessary, every five (5) years interval or as and when is necessary to ensure its employees or the Executive Directors are rewarded in line with its key performance indices or results achieved.

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Remuneration Committee (cont'd)

The current performance evaluation interval for employees of which inclusive Executive Directors as ruled and guided by the Group Human Resource Policy and Procedures is half yearly. The Executive Directors' performance evaluation will be reviewed by the Committee yearly on their fiducially duties as Directors as well as tracked by key performance indices set in achieving the Group's Vision and Mission as employees to the Company. The Committee's recommendation will be tabled to the Board and execution by EXCO with the aim to "attract and retain" committed and performed Executive Directors to drive the Group. No Director is allowed to approve his/her own evaluation under the Group Human Resource Policy and Procedures.

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

The Committee had on 23 August 2016 proposed Directors' fee payable for the members' approval in the AGM held on 14 December 2016. The Committee has also vide the meeting on 25 May 2017 proposed Directors' fee payable for the financial year ended 30 June 2017 for approval in the forthcoming AGM to be held on 29 November 2017.

Details of the Directors' remuneration are reported herein.

Directors' Remuneration

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

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

1. Directors' Fees

Directors' fees are payable only to Non-executive Directors. For the year under review, the Board proposed a fee of RM7,500 for each Non-executive Director. Breakdown of Directors' fees payable to each and every Non-executive Director for the financial year ended 30 June 2017 is as follows :-

Non-executive Director	Proposed Directors' Fees (RM)
Mr. Koay Ah Bah @ Koay Cheng Hock	7,500
Dr. Mohamad Zabdi Bin Zamrod	7,500
Mr. Khaw Eng Peng	7,500
Total Payable	22,500

2. Non-executive Directors' Other Benefit

Non-executive Directors are paid a perquisite for their every attendance of quarterly meeting and during the financial year ended 30 June 2017, a total of RM4,900 meeting expenses have been paid to Non-executive Directors.

3. Directors' Remuneration

A summary of the Directors' remuneration paid or payable to all Directors of the Company by the Group, both for Executive and Non-executive Directors, categorized into appropriate components and into each successive band of RM50,000 for the financial year ended 30 June 2017 is disclosed below :-

	Executive Directors (RM)	Non-executive Directors (RM)
Fees	—	22,500
Salary and other emoluments	908,482	36,000
Bonus	55,792	3,000
Allowance & Statutory Contributions	102,133	7,878
Per annum	Executive Directors	Non-executive Directors
0 to RM 50,000	—	3
RM50,001 to RM100,000	—	—
RM100,001 to RM150,000	—	—
RM150,001 to RM200,000	—	—
RM200,001 to RM250,000	—	—
RM250,001 to RM300,000	1	—
RM300,001 to RM350,000	1	—
RM350,001 to RM400,000	—	—
RM400,001 to RM450,000	1	—

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 3 – Reinforce Independence

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

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

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

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

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

Principle 4 – Foster Commitment

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

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

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

The Company Secretaries will update the Board members with the new/amended Listing Requirements or relevant laws and regulations via Board of Directors Meetings held. The Company Secretaries have vide the quarterly Board meeting as listed below briefed the Board members the following topics :

Date of Meeting	Topic of the Briefing Conducted
23.08.2016	Approval and adoption of Corporate Policies in compliance with Malaysian Code of Corporate Governance 2012 and Listing Requirements of Bursa Malaysia Securities Berhad
15.05.2017	Amendment to Bursa Securities' Listing Requirements correlates to the Companies Act 2016
25.05.2017	The Companies Act 2016 that came into effect on 31 January 2017
25.05.2017	Malaysian Code of Corporate Governance 2016 launched on 26 April 2017

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Principle 4 – Foster Commitment (cont'd)

The followings are additional courses and training programmes attended by the Directors for the financial year ended 30 June 2017.

Directors	Training Programmes Attended	Date
Lim Swee Chuan	Corporate Governance, Updates on Bursa Listing and Current Issues in Financial Reporting	05.10.2016
Khaw Eng Peng	2017 Budget Seminar	03.11.2016
	Enhanced Understanding of Risk Management and Internal Control for Chief Financial Officer, Internal Auditors and Risk Officers	27.09.2016

Principle 5 – Uphold Integrity in Financial Reporting

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

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

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

In accordance with the External Auditors Policy (as published on Company’s website, www.kobaytech.com), the ARMC shall assess suitability and independence of external auditors once in a year and the external auditors shall assure the ARMC in written form that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The external auditors have, during the 24 August 2017 ARMC meeting, confirmed their independency for the audit engagement provided for the financial year ended 30 June 2017.

Save for the audit services and review of Statement on Risk Management and Internal Control provided during the financial year ended 30 June 2017, there are no non-audit services provided by the external auditors. Any non-audit services to be provided by the external auditors shall be first reviewed by the ARMC before tabled for the Board’s approval prior to engagement.

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

Principle 6 – Recognize & Manage Risks

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

Internal Control

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

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

The Company has a customized Enterprise Resource Management System which enables the management to monitor and manage each individual subsidiary company’s key performance indices to ensure their operations are operating to the management expectation.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Internal Control (cont'd)

The Board has established an Executive Committee ("EXCO") which comprises of four (4) members, three (3) Executive Directors and one (1) senior management staff to manage the day-to-day operations of the Group. The primary functions of the Committee are stated in the Board Charter and accessible in Company's website. The EXCO will review individual subsidiary's risk management and internal control activities during the quarterly meetings as an on-going monitoring process.

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

Internal Audit

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

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

Principle 7 – Ensure Timely & High Quality Disclosure

The Company's Corporate Disclosure Guide has been established and the said policy has made available on Kobay's website, www.kobaytech.com.

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

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

Principle 8 – Strengthen Relationship Between Company & Shareholders

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

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

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

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

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

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

The Board has reviewed this Statement on Corporate Government and has approved it on 29 September 2017.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group acknowledged the importance of organization sustainability and aims to balance both financial stability and its social responsibility in attaining sustainable growth. The Board has undertaken the task to attain the organization sustainability via its effort in achieving business excellence and value creation for the Group.

Economy

The Committee ("EXCO") of the Board will initiate the yearly strategic planning process for the Group prior to new financial year and the approved plan will be disseminated to senior management and operation staff for execution. EXCO, will monitor the performance of individual subsidiary company within the Group against its approved key performance indices (KPIs) to minimize risk exposure and to meet the financial stability. KPIs tracked includes sales and marketing covering both financial and non-financial. Example of financial related KPIs ranging from profit before tax, earnings per share, costing and non-financial KPIs on human resource, marketing, manufacturing processes, quality etc.. In ensuring achieving its non-financial KPIs, the Group does maintain its Standard Operation Procedures ("SOP") for all subsidiary companies.

In our Manufacturing Division, we views customers as long term business partners. We work hand in hand with our customers in providing solutions to their needs. In turn, we are able to learn new technology from our local and oversea customers. With our customers' continuous support, we are able to move up the supply chain. We also value our suppliers in supporting us to move up the value chain. Individual subsidiary company met suppliers periodically to understand and rectify any challenges or deviation from the SOP or its Quality Policies so to achieve manufacturing and business excellence. The Manufacturing Division also vide its Continuous Improvement Programme ("CIP") continuously recognize and reward employees whom have creatively contributed to the Group in cost savings or process improvement in manufacturing environment, of which is win-win for both the Group and the employees in achieving business excellence and sustainability.

We are proud to announce that our subsidiary, Paradigm Precision Components Sdn. Bhd. has won the "25th Anugerah Kementerian 2016" organized by Ministry of International Trade and Industries.

For our Property Development Division, the Board strives to provide to our customers a value for money and environmental friendly products. Prior to any project commencement, the EXCO will not only scrutinize every project before approval being granted to kick-start a project but also continuously monitor each project's progress and evaluate suppliers before awarding the jobs to ensure the chosen supplier be able to deliver the quality we set for each project.

The Board has always in mind of the operation and market risk in property development and any environmental issue which may impact onto the community at large when embark on any development project. The Board is looking forward to the economy enhancement via tourism and employment opportunity in our development projects.

The development of our two maiden projects respectively in Langkawi, Kedah and Lumut, Perak are monitored closely by the EXCO on its progress so to ensure we deliver our moto "Be The Best". We are glad that one of our maiden project, Lavanya Langkawi was nominated and won the niche and unique category award in Star Property Award 2017.

Each individual subsidiary company's performance whether is from Manufacturing Division or Property Development Division will be monitored by the management and EXCO via monthly or quarterly meetings. Their operations capability will be accessed so to ensure we fulfils our customers' needs.

With the employees' commitment in attaining the corporate vision and full participation in the Group's sustainability, the Company has recognized employees' contributions in rewarding their performance either in team or individually via performance incentive and, employees are also rewarded on their length of services via service award per our Corporate Human Resource ("HR") Policies. We trust that the continuous interactions between the suppliers, company, customers and employees will contribute to economic growth in long term and thus win-win for all parties.

Environment

Kobay supports green environment and committed to continuously manage the impact of its operations towards minimizing environmental pollution. All waste management systems of the Manufacturing Division are approved by relevant authority and will continuously review and upgrade to ensure compliance. The Group's Manufacturing Division only assigned to licensed operators to manage the waste and disposal from operations to ensure no hazardous cause to the environment. Subsidiaries of the Group's Manufacturing Division will consistently maintain and non-stop in improving its accreditation in ISO so to identify, prioritize and manage environmental risks as part of its business practices.

For the Property Development Division, the Group will take precaution to ensure the environment of the project will not be affected and only operate when license of the relevant authorities be obtained.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONT'D)

Environment (cont'd)

In contribution to environmental friendly, the Group consistently educate its employees in 3R i.e. reuse, reduce and re-cycle. Hence, we will consistently looking for ways to reduce the energy and water consumption as well as cost saving via re-use and re-cycle. The Group is continuously encourages paper-less environment via computerization.

For in house environment, the Group encourages employees consistently keeping the working environment clean and tidy. The Group's Manufacturing Division organizes yearly 5S competition amongst subsidiaries and encourages employee to dispose of or re-cycle those unused items or papers or waste and monies raised therefrom will be donated to the needy of the society. The Manufacturing Division also via CIP encourage employees to propose to the management on ways to save energy and resources which can be incorporate into its manufacturing process and the winner of the project will be rewarded.

Social

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

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

The Group reviews and revise its human resource policies and rewards system periodically to attract and retain employees and foster greater productivity. Any recommendation for revising or setting new policies or practices will be tabled to the EXCO of the Group for approval prior to implementation.

The Group is also actively engaged with education institutions by providing internship and industrial training programs to undergraduates of colleges and universities. The programs provide the undergraduates with practical industrial experience as well as a channel to attract skilled and talent workers for the Group.

For the Property Development Division, the Group has also in mind of safety in its property developed. The Property Development Division team will meet weekly to review the progress of each and every development projects. For each development project before kick start, EXCO's approval is obtained and during the tender of the development project, the Property Development Division team will scrutinize the parties to ensure only licensed and qualified professionals will be invited to participate in the development of our property projects. They are to ensure all requirements of authorities are comply therewith before the project is officially launched.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management

The Board has formalized and adopted a Risk Management Framework Manual ("Framework") in 2013 which documented its approach, commitment, practices, policies and procedures to be applied in the Group on risk management and be communicated to all levels of management. The approach applied in addressing and managing risks is based on principles and recommendations of Malaysian Code on Corporate Governance 2012. To achieve Group's objectives and goals, ensuring business sustainability and continuity, the Board is committed to articulate and implement risk management into Group's culture and day to day activities by formalised risk management practices in the strategic planning, organization structure, operation procedures, management processes and internal control systems.

As an on-going process, key business risks faced by the Group are reviewed on yearly basis to identify, made assessment on likelihood and impact and planned action plans to mitigate the risks. In the Framework, the Board has provided guidance on methods to identify, analyse, evaluate and treat risks. The acceptable risk tolerance & appetite levels, planning & execution timetable, managing processes & flow of information and responsible bodies for monitoring and reporting the effectiveness of risk management activities carried out are clearly stated.

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

On risk management accountability structure, the key components are as follow:

Board of Directors ("Board")

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

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

Audit and Risk Management Committee ("ARMC")

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

ARMC assists the Board in fulfilling its risk management oversight role. ARMC reviews Risk Management Reports presented by management on quarterly basis on the status update and risk management activities carried out for items classified as high risk during strategic planning, any risk identified during the year and the mitigation action. ARMC also reviews Internal Audit Department's report on its annual review of risk management activities in the area of adequacy and compliance with policies and procedures as stated in Framework. The results of the reviews are then reported in the Board's meeting.

Management

Executive Committee ("EXCO") that consists of Executive Directors of the Board and Chief Operating Officer spearheads the implementation of risk management activities in the Group. EXCO acts as the Management Committee of risk management and reports the risk management activities and matters that deemed high risk or critical and the mitigation actions to the ARMC on quarterly basis.

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

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

Management (cont'd)

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

Risk Identification, Evaluation and Management

Risk coverage for the Group is basically divided into three areas, namely strategic & operational, financial and regulatory compliance. For risk evaluation, risk level is calculated by its likelihood in terms of probability and consequences measured in monetary value. The tabulated risk level is measured against pre-defined Risk Matrix Table as per Framework to determine at which the risk level is, in the range of low to extreme risk. The risk level identified will determine which risk management accountability body is to address the risk and report on status update and results of risk management activities carried out.

To identify and evaluate strategic & operational risk faced by the Group's activities, yearly strategic planning sessions attended by EXCO and operations management are being held before the beginning of new financial year. The Kick-Off meeting for Strategic Plan Financial Year 2018 was commenced in February 2017. The Chief Executive Officer and senior management held brain-storming sessions to evaluate current business environment, competition landscape and sustainability, identified key risks faced by Group's businesses and determined the Group's directions going forward.

At business operation level, with the Group's directions, the respective strategic business and functional units' SBG Head performed strengths/ weaknesses/ opportunities/ threats analysis on business operating environment, industry trends, capabilities, past performances and developed strategic plan covering business direction & strategy, focus and expectations. Based on the strategic plan, SBU Head and line management prepared individual business unit's strategic plan with details of planned activities, goal set, annual budget and Key Performance Indices for guidance, communication and monitoring. Meetings were then conducted between EXCO, SBG Head and SBU Head to discuss, review and buy-off the annual strategic plans, goals and Key Performance Indices. The EXCO buy-off of Strategic Plan Financial Year 2018 was completed in May 2017.

As for regulatory compliance and financial risks, they are carried out by SBU Heads and Group Accountants via Risk Assessment Forms. Risk assessment is done on individual business unit by way of questionnaire basis to systematically assess currently known risks as guided by past records in risk register and emerging risks foresee. During the financial year, a group-wide cyber-security risk assessment has been conducted via self-assessment questionnaire form by individual business units.

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

The Chief Executive Officer and Chief Financial Officer have provided a written assurance to the Board on 29 September 2017 stating that the Group's risk management and internal control system are operating adequately and effectively for the current financial year under review and up to the approval date of this Statement for inclusion in Annual Report.

Internal/ External Audit

Internal Audit is responsible for evaluating the effectiveness and efficiency of risk management carried out and in compliance with the laid-down practices and procedures. A review is to be conducted at least once in a year with the outcome reported to ARMC. Internal Audit Department has carried out the annual review on Group's risk management activities for FY2017 and reported in ARMC meeting.

The External Auditors review the Statement on Risk Management and Internal Control and report the results thereof to the Board on annual basis. The External Auditors have reviewed the Statement for financial year ended 30 June 2017 which is included in the Annual Report, guided by Recommended Practice Guide 5 (revised) issued by Malaysian Institute of Accountants. Based on the review, nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material respects, in accordance with the disclosures to be set out as required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

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

Internal Control System

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

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

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

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

This Statement is made in accordance with the resolution of the Board of Directors dated 29 September 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION AND DESIGNATION

Members of the Committee

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

Secretaries to the Committee

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

TERMS OF REFERENCE

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

MEETINGS

The Committee met four times in the financial year ended 30 June 2017. The meetings were convened in a structured manner by formal notice of meeting with meeting agenda and reports being sent to Committee members at least 7 calendar days before the meeting date. Meeting minutes recorded by Committee Secretary and confirmed by Committee Chairman were presented in subsequent meeting for adoption. The Chief Financial Officer, Head of Internal Audit Department and External Auditors were invited to attend the meetings to provide insights and advice on reports discussed. Details of meeting attendance were as follows:

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

SUMMARY OF WORK OF THE COMMITTEE

During the financial year, the Committee had:

1. Reviewed with External Auditors the Audit Review Memorandum for financial year ended 30 June 2016. It covered areas on accounting and audit issues, internal control issues noted during the course of audit, compliance of considerations required under International Standards of Auditing and summary of adjustments to financial statements. There was no major item highlighted in relation to management judgments and estimates that affecting the financial statements. The annual financial statements were then submitted to Board for their consideration and approval for the purpose of announcement to Bursa Malaysia Securities Berhad ("Bursa Malaysia") and inclusion in Annual Report.
2. Noted the written declaration provided by External Auditors on their independence in accordance with the relevant professional and regulatory requirements with regards to audit of the Group's financial statements for year ended 30 June 2016.
3. Reviewed management response on the External Auditors' Report on Deficiencies in Internal Control for financial year ended 30 June 2016. The Internal Audit Department has been requested to carry out follow up audit to ensure corrective actions implemented.
4. Reviewed quarterly unaudited results with the Chief Financial Officer and obtained clarification when required before submission to Board for consideration and approval for the purpose of announcement to Bursa Malaysia.
5. Reviewed Quarterly Internal Audit Department Report presented by Internal Auditors. The audit works carried out during the quarter, corrective actions provided by management on audit findings and status of implementation were discussed and adopted by the Committee members.
6. Reviewed quarterly report presented by Internal Auditors on related party transactions transacted in the Group. Related party and recurrent related party transactions transacted in the quarter were reviewed for compliance of business units' reporting procedures, approving authority matrix, Listing Requirements and any conflict of interest situation

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (CONT'D)

7. Reviewed Quarterly Risk Management Report presented by Chief Financial Officer on operation's risk management activities. The activities carried out in the quarter and progress status update of high risk items identified in annual risk management review were reported to the Committee.
8. Reviewed the annual internal audit report presented by Internal Auditors on adequacy of Group's risk management framework and whether its activities carried out in financial year ended 30 June 2016 were in consistent with policies and procedure as stated in Group Risk Management Framework Manual.
9. Reviewed External Auditors' Audit Planning Memorandum for financial year ended 30 June 2017. It covered on engagement and reporting requirements, audit approach, areas of audit emphasis, accounting standard and tax updates, new Companies Act 2016, engagement team particulars and timetable for audit and issuance of audit report.
10. Adopted Internal Audit Plan for financial year ending 30 June 2018 presented by the Internal Auditors. The planned audit activities are based on risk-based approach whereby emphasis given on core business units and the audit areas covered are determined by respective unit's key risk areas, business nature and past audit experiences. The Plan also includes review on the Group's related party transactions and risk management activities.
11. Reviewed Statement on Risk Management and Internal Control, Audit and Risk Management Committee Report for disclosure in 2016 Annual Report.
12. Reviewed Semi-annual Returns before submission to Board for approval for the purpose of submission to Bursa Malaysia.
13. Reviewed the performance and work carried out by the External Auditors, Messrs. Crowe Horwath for their suitability, objectivity and independence before recommendation of re-appointment in the incoming year. The areas covered in the review are outlined in the External Auditors Policy which is available on Kobay website. As for the evaluation of Internal Auditors' scope of audit coverage, competency and job performance, it was carried out via Performance Evaluation Form approved by Committee Chairman.
14. Held two dialogue sessions on 23 August 2016 and 25 May 2017 with the external auditors together with internal auditors to discuss on any issues affecting them in discharging their duties and responsibilities without the present of Executive Directors. There was no major areas of concern identified by the auditors that warrant the Committee attention and further elaboration.

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Department, which reports directly to the Committee and assists in discharging its functions and duties. The internal audit function is independent of operational activities and has its own service charter to ensure the internal audit activities are performed with impartiality, proficiency and due professional care. The costs incurred for internal audit function in financial year ended 30 June 2017 amounted to RM130,331.

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

1. Conducted compliance, operational and financial audits covering Group Policies and Procedures Manual and internal control systems. On Group level, the areas covered were on website disclosure in compliance with Bursa Malaysia Listing requirements pertaining to new amendments made in March 2016 and Group-wide assessments on dealing with cyber security risk. For Property Development Division, audits on compliance with Housing Development Act 1966 & Regulation, Group's Financial Policies and Procedures Manual and maintenance of purchasers' documentations. For Manufacturing Division, audits on the control system of Enterprise Resource Management System's auto posting linkage between operations module and accounting module, profit margin review on jobs sub-contracted out, purchase authorization, reporting accuracy of business units' Key Performance Indices, operation review audit at metal fabrication plant in Johor and due diligence audit before acquisition of additional shares in a Singapore based subsidiary.
2. Issued audit reports on audit findings to business units' management and obtained their corrective actions. The audit reports were tabled for adoption in business unit's management meeting and presented in operations review meeting at holding company level with Executive Directors, Chief Operating Officer, Vice President present. They were then reported in the quarterly Committee meeting.
3. Conducted follow-up audits to ensure corrective actions in internal and external auditors' reports are in-practiced in business operations.
4. Reviewed related party transactions transacted in the Group during the financial year on quarterly basis and reported to Committee.
5. Reviewed risk management activities carried out in the Group for adequacy and compliance with laid down policies and procedures as stated in Group Risk Management Framework Manual and reported to Committee.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Pursuant to the Companies Act 2016 and relevant regulations, the Board has prepared the financial statements which give a true and fair view of the state of affairs, its result and cash flows of the Company and the Group. The Directors have :-

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

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

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

The Statement is made in accordance with the resolution of Board of Directors dated 29 September 2017.

OTHER INFORMATION

UTILISATION OF PROCEEDS

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

AUDIT AND NON-AUDIT FEES

For the financial year under review, the amount of audit fees paid or payable to the Group's external auditors amounted to RM32,000 and RM202,292 respectively for the Company and the Group. Other than the RM1,000 of non-audit fees paid by the Company to the Group's external auditors, there is no other non-audit fees be paid or payable to the external auditors.

MATERIAL CONTRACTS

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

RECURRENT RELATED PARTY TRANSACTIONS

Shareholders' mandate was not procured for recurrent related party transactions entered into during financial year ended 30 June 2017. The amounts transacted during the financial year were within the threshold as prescribed by Bursa Malaysia Securities Berhad's Listing Requirements and no announcement was made.

EMPLOYEES SHARE OPTION SCHEME

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

There are no options being granted to any employees of the Group since implementation during the financial year ended 30 June 2017.

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

CONTENTS

Directors' Report	36 - 38
Statement by Directors	39
Statutory Declaration	39
Independent Auditors' Report	40 - 43
Consolidated Statement of Financial Position	44
Consolidated Statement of Comprehensive Income	45
Consolidated Statement of Changes in Equity	46 - 47
Consolidated Statement of Cash Flows	48 - 49
Statement of Financial Position	50
Statement of Comprehensive Income	51
Statement of Changes in Equity	52
Statement of Cash Flows	53
Notes to the Financial Statements	54 - 89
Supplementary Information - Realised and Unrealised Profits or Losses	90

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 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities and other details of the subsidiaries are disclosed in Note 8 to the financial statements.

RESULTS

	The Group RM	The Company RM
Profit for the financial year attributable to:-		
- Owners of the Company	4,738,971	6,623,762
- Non-controlling interests	122,983	0
	<u>4,861,954</u>	<u>6,623,762</u>

DIVIDENDS

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

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company:-

- (i) reissued 126,500 treasury shares by resale in the open market for a total cash consideration of RM191,944; and
- (ii) issued 34,012,851 bonus shares on the basis of 1 new ordinary share for every 2 existing ordinary shares in issue by capitalising the share premium and retained profits of the Company.

The Company did not issue any debentures during the financial year.

SHARE OPTIONS

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 9 December 2015, approved the Employees' Share Option Scheme ("ESOS") of the Company. The ESOS became effective on 19 April 2016 and shall be valid for a duration of 10 years from the effective date. The Company has yet to grant any options under the ESOS as at 30 June 2017.

BAD AND DOUBTFUL DEBTS

Before the financial statements were prepared, 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 provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provision for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT (CONT'D)

CURRENT ASSETS (CONT'D)

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or 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 which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability 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 affect the ability of the Group or the Company to meet their obligations 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 the financial statements which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during 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 or the Company for the financial year in which this report is made.

DIRECTORS

The directors in office since the beginning of the financial year are:-

Directors of the Company

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

Directors of Subsidiaries (Other than Directors of the Company)

Koay Wooi Seong
Koay Wooi Tatt
Ng Tiat Seng
Syed Muhamad Hafiz Bin Syed Ahmad
Tommy Teh Guan Seng
Lam Wan Loong (resigned on 22.09.2016)
Chai Meng Meng (resigned on 01.01.2017)
Gan Bee Keow (appointed on 01.01.2017)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

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

Name of Director	Number Of Ordinary Shares					
	Direct Interest			Deemed Interest		
	Balance At 1.7.2016	Bones issue	Bought/ (Sold)	Balance at 30.6.2017	Balance at 1.7.2016	Balance at 30.6.2017
Dato' Seri Koay Hean Eng	1,654,154	827,077	0	2,481,231	17,523,007 ^(a)	26,284,510 ^(a)
Koay Cheng Lye	1,058,995	529,497	0	1,588,492	17,523,007 ^(a)	26,284,510 ^(a)
Koay Ah Bah @ Koay Cheng Hock	884,665	442,332	0	1,326,997	17,523,007 ^(a)	27,236,260 ^(b)

^(a) Deemed interest by virtue of shares held by company in which the director has interest

^(b) Deemed interest by virtue of 26,284,510 shares held by company in which the director has interest and 951,750 shares held by his sons

By virtue of their interests in shares in the Company, Dato' Seri 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 8 of the Companies Act 2016.

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 has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 21 to 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 certain 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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 20 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

**Signed In Accordance With A Resolution Of The Directors
Dated 20 September 2017**

Dato' Seri Koay Hean Eng

Lim Swee Chuan

STATEMENT BY DIRECTORS

We, Dato' Seri 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 44 to 89 give a true and fair view of the financial position of the Group and the Company as at 30 June 2017 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 2016 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 90 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 20 September 2017**

Dato' Seri 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 44 to 89 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 20 September 2017**

Lim Swee Chuan

Before me
Mok Cheng Yoon
No. P140
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kobay Technology Bhd., which comprise the statements of financial position as at 30 June 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 89.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2017, 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><u>Allowance for inventories (Refer to Notes 3 and 9 to the financial statements)</u></p> <p>The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> Obtaining an understanding of:- <ul style="list-style-type: none"> the Group's inventory management process; how the Group identifies and assesses inventory write-downs; and how the Group makes the accounting estimates for inventory write-downs. Reviewing the ageing analysis of inventories and testing the reliability thereof. Examining the perpetual records for inventory movements and to identify slow moving aged items. Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. Reviewing the net realisable value of major inventories. Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF KOBAY TECHNOLOGY BHD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of loans and receivables (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposures. The assessment of recoverability of receivables involves judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis of receivables and testing the reliability thereof. • Reviewing subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc. • Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 90 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 ("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.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018

Chartered Accountants

Eddy Chan Wai Hun

Approval No: 2182/10/17(J)

Chartered Accountant

Date: 20 September 2017

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 RM	2016 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	57,957,664	60,460,443
Investment properties	5	2,000,395	2,024,731
Land held for property development	6	41,189,546	37,698,509
Intangible assets	7	93,278	281,511
		101,240,883	100,465,194
CURRENT ASSETS			
Property development costs	6	13,171,630	10,387,744
Inventories	9	14,888,390	14,588,904
Receivables	10	32,593,211	25,005,550
Financial assets at fair value through profit or loss	11	0	10,750
Prepayments		1,163,015	2,239,344
Current tax assets		484,812	213,378
Cash and cash equivalents	12	27,699,690	29,343,765
		90,000,748	81,789,435
CURRENT LIABILITIES			
Payables	13	26,302,781	20,886,667
Loans and borrowings	14	3,433,825	2,046,275
Progress billings	6	369,988	1,399,629
Current tax liabilities		246,456	232,381
		30,353,050	24,564,952
NET CURRENT ASSETS		59,647,698	57,224,483
NON-CURRENT LIABILITIES			
Loans and borrowings	14	8,773,925	9,377,683
Deferred tax liabilities	15	4,293,000	4,342,333
Deferred income on government grants	16	1,629,946	1,977,566
		14,696,871	15,697,582
NET ASSETS		146,191,710	141,992,095
EQUITY			
Share capital	17	102,093,601	68,080,750
Treasury shares	17	(67,143)	(221,473)
Share premium		0	2,345,604
Capital reserve		1,550,000	1,550,000
Currency translation reserve		497,668	235,937
Retained profits		41,680,750	68,334,148
Equity attributable to owners of the Company		145,754,876	140,324,966
Non-controlling interests	18	436,834	1,667,129
TOTAL EQUITY		146,191,710	141,992,095

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 RM	2016 RM
Revenue	19	125,429,203	104,750,051
Cost of sales		(97,400,400)	(75,554,797)
Gross profit		28,028,803	29,195,254
Other income		3,464,229	5,895,979
Administrative and general expenses		(19,413,425)	(22,595,905)
Selling and distribution expenses		(4,350,307)	(4,736,770)
Finance costs		(101,949)	(179,011)
Profit before tax	20	7,627,351	7,579,547
Tax expense	22	(2,765,397)	(2,602,612)
Profit for the financial year		4,861,954	4,976,935
Other comprehensive income:-			
Item that may be reclassified subsequently to profit or loss:-			
- Currency translation differences for foreign operations		111,258	172,043
Other comprehensive income for the financial year		111,258	172,043
Total comprehensive income for the financial year		4,973,212	5,148,978
Profit for the financial year attributable to:-			
- Owners of the Company		4,738,971	4,458,111
- Non-controlling interests	18	122,983	518,824
		4,861,954	4,976,935
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		4,844,943	4,561,300
- Non-controlling interests		128,269	587,678
		4,973,212	5,148,978
Earnings per share:-	23		
- Basic (sen)		4.65	4.38
- Diluted (sen)		4.65	4.38

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Non-distributable				Distributable			Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Currency translation reserve	Retained profits	Company			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 July 2015	68,080,750	(888,447)	1,680,086	1,550,000	132,748	65,907,060	136,462,197	1,139,451	137,601,648	
Profit for the financial year	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	103,189	0	103,189	68,854	172,043	
Total comprehensive income for the financial year	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	1,332,492	0	1,332,492	
Dividend to owners of the Company (Note 24)	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	(60,000)	(60,000)	
Total transactions with owners	0	666,974	665,518	0	0	(2,031,023)	(698,531)	(60,000)	(758,531)	
Balance at 30 June 2016	68,080,750	(221,473)	2,345,604	1,550,000	235,937	68,334,148	140,324,966	1,667,129	141,992,095	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Non-distributable					Distributable		Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Currency translation reserve	Retained profits				
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 July 2016	68,080,750	(221,473)	2,345,604	1,550,000	235,937	68,334,148	140,324,966	1,667,129	141,992,095	
Profit for the financial year	0	0	0	0	0	4,738,971	4,738,971	122,983	4,861,954	
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	0	0	105,972	0	105,972	5,286	111,258	
Total comprehensive income for the financial year	0	0	0	0	105,972	4,738,971	4,844,943	128,269	4,973,212	
Reissue of treasury shares	0	154,330	37,614	0	0	0	191,944	0	191,944	
Bonus issue	34,012,851	0	(2,324,218)	0	0	(31,688,633)	0	0	0	
Share issue transaction costs	0	0	(59,000)	0	0	0	(59,000)	0	(59,000)	
Dividends to non-controlling interests	0	0	0	0	0	0	0	(368,941)	(368,941)	
Contributions by/ (Distributions to) owners	34,012,851	154,330	(2,345,604)	0	0	(31,688,633)	132,944	(368,941)	(235,997)	
Changes in ownership interests in subsidiaries (Note 18)	0	0	0	0	155,759	296,264	452,023	(989,623)	(537,600)	
Total transactions with owners	34,012,851	154,330	(2,345,604)	0	155,759	(31,392,369)	584,967	(1,358,564)	(773,597)	
Balance at 30 June 2017	102,093,601	(67,143)	0	1,550,000	497,668	41,680,750	145,754,876	436,834	146,191,710	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,627,351	7,579,547
Adjustments for:-			
Amortisation of deferred income on government grants		(347,620)	(208,619)
Depreciation of investment properties		24,336	24,337
Depreciation of property, plant and equipment		6,097,041	5,786,340
Gain on disposal of property, plant and equipment		(258,397)	(2,405,073)
Impairment loss on intangible assets		189,137	0
Impairment loss on loans and receivables		167,333	3,599,995
Impairment loss on property, plant and equipment		343,971	0
Interest expense		101,949	179,011
Interest income		(295,834)	(330,683)
Property, plant and equipment written off		88,200	12,437
Reversal of impairment loss on loans and receivables		(42,000)	(8,345)
Unrealised gain on financial instruments at fair value through profit or loss		0	(10,750)
Unrealised loss/(gain) on foreign exchange		232,190	(7,924)
Operating profit before working capital changes		13,927,657	14,210,273
Changes in:-			
Property development costs		(269,941)	(1,139,765)
Inventories		(299,486)	(620,139)
Receivables and prepayments		(6,756,684)	(5,307,022)
Financial instruments at fair value through profit or loss		10,750	0
Payables		5,318,589	889,213
Progress billings		(1,029,641)	1,399,629
Cash generated from operations		10,901,244	9,432,189
Tax paid		(3,142,733)	(2,954,672)
Tax refunded		64,632	691,254
Net cash from operating activities		7,823,143	7,168,771
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		0	(8,047)
Additions to land held for property development		(5,997,440)	(6,564,790)
Deposit refunded/(paid) for purchase of investment properties		60,000	(150,000)
Grants received		0	2,186,185
Interest received		295,834	330,683
Proceeds from disposal of property, plant and equipment		265,156	7,460,329
Purchase of property, plant and equipment		(4,028,695)	(8,978,893)
Net cash used in investing activities		(9,405,145)	(5,724,533)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D) **FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	2017 RM	2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of shares from non-controlling interests		(537,600)	0
Dividend paid to owners of the Company		0	(2,031,023)
Dividends paid to non-controlling interests		(368,941)	(60,000)
Increase in short-term loans and borrowings (net)		892,440	975,775
Interest paid		(102,329)	(179,011)
Placement of term deposits pledged as security		(17,492)	(1,856,308)
Reissue of treasury shares		191,944	1,332,492
Repayment of term loans		(1,861,846)	(1,595,472)
Share issue transaction costs paid		(59,000)	0
Term loan raised		1,681,951	1,300,000
Net cash used in financing activities		(180,873)	(2,113,547)
Currency translation differences		101,308	138,390
Net decrease in cash and cash equivalents		(1,661,567)	(530,919)
Cash and cash equivalents brought forward		26,746,885	27,277,804
Cash and cash equivalents carried forward	12	25,085,318	26,746,885

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 RM	2016 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	435,108	486,529
Investments in subsidiaries	8	91,483,241	89,989,277
		91,918,349	90,475,806
CURRENT ASSETS			
Receivables	10	20,561,927	13,279,101
Prepayments		12,900	26,570
Cash and cash equivalents	12	9,299,627	11,165,143
		29,874,454	24,470,814
CURRENT LIABILITIES			
Payables	13	2,486,348	1,591,410
Loans and borrowings	14	481,299	430,900
Current tax liabilities		21,500	0
		2,989,147	2,022,310
NET CURRENT ASSETS		26,885,307	22,448,504
NON-CURRENT LIABILITIES			
Loans and borrowings	14	8,105,038	8,982,398
NET ASSETS		110,698,618	103,941,912
EQUITY			
Share capital	17	102,093,601	68,080,750
Treasury shares	17	(67,143)	(221,473)
Share premium		0	2,345,604
Retained profits		8,672,160	33,737,031
TOTAL EQUITY		110,698,618	103,941,912

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 RM	2016 RM
Revenue	19	9,088,271	15,378,740
Other income		2,193,944	14,580,701
Administrative and general expenses		(4,500,788)	(7,718,719)
Finance costs		(47,018)	(115,036)
Profit before tax	20	6,734,409	22,125,686
Tax expense	22	(110,647)	(6,557)
Profit for the financial year		6,623,762	22,119,129
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		6,623,762	22,119,129

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total equity RM
Balance at 1 July 2015	68,080,750	(888,447)	1,680,086	13,648,925	82,521,314
Profit (representing total comprehensive income) for the financial year	0	0	0	22,119,129	22,119,129
Reissue of treasury shares	0	666,974	665,518	0	1,332,492
Dividend (Note 24)	0	0	0	(2,031,023)	(2,031,023)
Total transactions with owners	0	666,974	665,518	(2,031,023)	(698,531)
Balance at 30 June 2016	68,080,750	(221,473)	2,345,604	33,737,031	103,941,912
Profit (representing total comprehensive income) for the financial year	0	0	0	6,623,762	6,623,762
Reissue of treasury shares	0	154,330	37,614	0	191,944
Bonus issue	34,012,851	0	(2,324,218)	(31,688,633)	0
Share issue transaction costs	0	0	(59,000)	0	(59,000)
Total transactions with owners	34,012,851	154,330	(2,345,604)	(31,688,633)	132,944
Balance at 30 June 2017	102,093,601	(67,143)	0	8,672,160	110,698,618

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,734,409	22,125,686
Adjustments for:-			
Depreciation of property, plant and equipment		95,232	101,289
Dividend income		(7,957,614)	(14,094,957)
Gain on disposal of subsidiaries		(1,185,189)	(13,996,467)
Impairment loss on investments in subsidiaries		291,125	0
Impairment loss on loans and receivables		0	3,400,000
Interest expense		47,018	115,036
Interest income		(1,000,311)	(362,115)
Property, plant and equipment written off		544	1,384
Reversal of impairment loss on loans and receivables		0	(205,761)
Operating loss before working capital changes		(2,974,786)	(2,915,905)
Changes in:-			
Receivables and prepayments		17,320	188,947
Payables		(5,062)	106,412
Cash absorbed by operations		(2,962,528)	(2,620,546)
Tax paid		(105,574)	(6,557)
Tax refunded		16,427	0
Net cash used in operating activities		(3,051,675)	(2,627,103)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries		0	(3,296)
Additional investments in subsidiaries		(599,900)	(1,299,996)
Dividends received		7,957,614	14,094,957
Interest received		1,000,311	362,115
Net advance to subsidiaries		(6,386,476)	(15,097,519)
Proceeds from disposal of property, plant and equipment		5,644	744
Purchase of property, plant and equipment		(49,999)	(421,806)
Net cash from/(used in) investing activities		1,927,194	(2,364,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		0	(2,031,023)
Interest paid		(47,018)	(115,036)
Reissue of treasury shares		191,944	1,332,492
Repayment of term loans		(826,961)	(708,591)
Share issue transaction costs paid		(59,000)	0
Term loan raised		0	1,300,000
Net cash used in financing activities		(741,035)	(222,158)
Net decrease in cash and cash equivalents		(1,865,516)	(5,214,062)
Cash and cash equivalents brought forward		11,157,143	16,371,205
Cash and cash equivalents carried forward	12	9,291,627	11,157,143

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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, 42-B Jalan Rangoon, 10400 Georgetown, Penang.

The consolidated financial statements set out on pages 44 to 49 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 50 to 53 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 20 September 2017.

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 2016 in Malaysia.

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

FRS	Effective for annual periods beginning on or after
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 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 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
Annual Improvements to FRS Standards 2012 - 2014 Cycle	1 January 2016

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to FRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 4 <i>Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts</i>	1 January 2018
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 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 140 <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to FRS Standards 2014 - 2016 Cycle:-	
(i) Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to FRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(iii) Amendments to FRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018

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

FRS 9 *Financial Instruments*

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

Malaysian Financial Reporting Standards

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

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

Being a Transitioning Entity as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with the FRS Framework and will first present the financial statements in accordance with the MFRS Framework for the financial year ending 30 June 2019. Management is currently examining the financial impacts of transition to the MFRS Framework.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation

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

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

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

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

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

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

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

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, Plant and Equipment (Cont'd)

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

Buildings	2%
Building improvement and renovation	2-33%
Factory machinery, moulds and equipment	10-20%
Furniture, fittings, office equipment and computer software	10-33%
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.

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 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of Non-financial Assets

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

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

2.10 Inventories

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

2.11 Financial Assets

Financial assets of the Group and the Company consist of 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 financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

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

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

(ii) Loans and receivables

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

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 classified under loans and receivables is impaired. If any such evidence exists, the impairment loss 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial Assets (Cont'd)

Impairment (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.

2.12 Financial Liabilities

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

Recognition and Measurement

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

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

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

(ii) Financial guarantee contracts

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

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

2.13 Foreign Currency Transactions and Translation

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Foreign Currency Transactions and Translation (Cont'd)

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 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

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

2.15 Fair Value Measurement

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Fair Value Measurement (Cont'd)

Financial Assets and Financial Liabilities

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

The fair value of 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.

Property development revenue is recognised in accordance with Note 2.6.

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 or included in property development costs, where appropriate, 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 or included in property development costs, where appropriate, in the period in which the associated services are rendered by the employee.

2.19 Borrowing Costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Income Taxes

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

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

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

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

2.21 Cash and Cash Equivalents

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

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

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

Sources of Estimation Uncertainty

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

Allowance for inventories

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

Impairment of loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 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
<u>Representing:-</u>								
- Cost	28,946,600	6,214,067	81,213,679	7,941,567	1,180,409	1,568,327	920,676	127,985,325
- Valuation	10,444,000	0	0	0	0	0	0	10,444,000
	39,390,600	6,214,067	81,213,679	7,941,567	1,180,409	1,568,327	920,676	138,429,325
<u>Balance at 1 July 2016</u>	39,390,600	6,214,067	81,213,679	7,941,567	1,180,409	1,568,327	920,676	138,429,325
Additions	0	707,937	2,345,548	556,330	47,598	127,950	243,332	4,028,695
Disposals/Write-offs	0	(125,571)	(2,289,930)	(472,205)	(19,494)	(28,000)	(3,500)	(2,938,700)
Reclassifications	0	482,273	4,778	6,807	(2,745)	(90)	(491,023)	0
Currency translation differences	0	5,585	216	18,549	0	0	0	24,350
Balance at 30 June 2017	39,390,600	7,284,291	81,274,291	8,051,048	1,205,768	1,668,187	669,485	139,543,670
<u>Representing:-</u>								
- Cost	28,946,600	7,284,291	81,274,291	8,051,048	1,205,768	1,668,187	669,485	129,099,670
- Valuation	10,444,000	0	0	0	0	0	0	10,444,000
	39,390,600	7,284,291	81,274,291	8,051,048	1,205,768	1,668,187	669,485	139,543,670

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2015	9,994,952	2,093,870	54,381,446	4,208,498	855,031	1,136,996	0	72,670,793
Accumulated depreciation	0	0	604,252	100,846	79,030	34,332	127,220	945,680
Accumulated impairment losses	9,994,952	2,093,870	54,985,698	4,309,344	934,061	1,171,328	127,220	73,616,473
Depreciation	830,721	407,437	3,629,356	705,111	36,638	177,077	0	5,786,340
Disposals/Write-offs	(1,111,000)	0	(189,338)	(157,565)	(4,996)	0	0	(1,462,899)
Currency translation differences	0	7,913	89	20,966	0	0	0	28,968
Balance at 30 June 2016	9,714,673	2,509,220	57,821,553	4,777,019	887,914	1,314,073	0	77,024,452
Accumulated depreciation	0	0	604,252	100,837	77,789	34,332	127,220	944,430
Accumulated impairment losses	9,714,673	2,509,220	58,425,805	4,877,856	965,703	1,348,405	127,220	77,968,882
Depreciation	721,000	646,388	3,970,047	679,735	40,735	39,136	0	6,097,041
Impairment loss	0	0	0	0	0	0	343,971	343,971
Disposals/Write-offs	0	(113,947)	(2,279,282)	(403,032)	(19,481)	(27,999)	0	(2,843,741)
Currency translation differences	0	4,936	94	14,823	0	0	0	19,853
Balance at 30 June 2017	10,435,673	3,046,597	59,512,412	5,068,545	909,168	1,325,210	0	80,297,605
Accumulated depreciation	0	0	604,252	100,837	77,789	34,332	471,191	1,288,401
Accumulated impairment losses	10,435,673	3,046,597	60,116,664	5,169,382	986,957	1,359,542	471,191	81,586,006
<u>Carrying Amount</u>								
Balance at 1 July 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
Balance at 30 June 2017	28,954,927	4,237,694	21,157,627	2,881,666	218,811	308,645	198,294	57,957,664

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

The details of land and buildings are as follows:-

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
<u>Cost/Valuation</u>				
Balance at 1 July 2015	4,161,603	10,211,794	30,698,314	45,071,711
Additions	0	0	27,720	27,720
Disposals	0	(1,800,000)	(3,908,831)	(5,708,831)
Balance at 30 June 2016/30 June 2017	4,161,603	8,411,794	26,817,203	39,390,600
<u>Representing:-</u>				
- Cost	4,161,603	4,777,794	20,007,203	28,946,600
- Valuation	0	3,634,000	6,810,000	10,444,000
	4,161,603	8,411,794	26,817,203	39,390,600
<u>Accumulated Depreciation</u>				
Balance at 1 July 2015	0	3,098,092	6,896,860	9,994,952
Depreciation	0	186,459	644,262	830,721
Disposals	0	(350,268)	(760,732)	(1,111,000)
Balance at 30 June 2016	0	2,934,283	6,780,390	9,714,673
Depreciation	0	151,780	569,220	721,000
Balance at 30 June 2017	0	3,086,063	7,349,610	10,435,673
<u>Carrying Amount</u>				
Balance at 1 July 2015	4,161,603	7,113,702	23,801,454	35,076,759
Balance at 30 June 2016	4,161,603	5,477,511	20,036,813	29,675,927
Balance at 30 June 2017	4,161,603	5,325,731	19,467,593	28,954,927

Certain 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 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	
	2017 RM	2016 RM
Leasehold land	3,858,563	3,967,191
Buildings	18,602,512	19,146,290
	22,461,075	23,113,481

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

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	
	2017 RM	2016 RM
Leasehold land	2,491,704	2,567,202
Buildings	11,098,950	11,118,733
	13,590,654	13,685,935

The Company	Renovation RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
<u>Cost</u>				
Balance at 1 July 2015	43,735	720,253	1,800	765,788
Additions	335,844	85,962	0	421,806
Disposals/Write-offs	0	(112,238)	0	(112,238)
Balance at 30 June 2016	379,579	693,977	1,800	1,075,356
Additions	38,565	11,434	0	49,999
Disposals/Write-offs	0	(16,710)	0	(16,710)
Balance at 30 June 2017	418,144	688,701	1,800	1,108,645
<u>Accumulated Depreciation</u>				
Balance at 1 July 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
Depreciation	36,932	58,300	0	95,232
Disposals/Write-offs	0	(10,522)	0	(10,522)
Balance at 30 June 2017	92,483	579,255	1,799	673,537
<u>Carrying Amount</u>				
Balance at 1 July 2015	1	168,138	1	168,140
Balance at 30 June 2016	324,028	162,500	1	486,529
Balance at 30 June 2017	325,661	109,446	1	435,108

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. INVESTMENT PROPERTIES

The Group	Freehold land RM	Buildings RM	Total RM
<u>Cost</u>			
Balance at 1 July 2015 / 30 June 2016 / 30 June 2017	854,550	1,216,826	2,071,376
<u>Accumulated Depreciation</u>			
Balance at 1 July 2015	0	22,308	22,308
Depreciation	0	24,337	24,337
Balance at 30 June 2016	0	46,645	46,645
Depreciation	0	24,336	24,336
Balance at 30 June 2017	0	70,981	70,981
<u>Carrying Amount</u>			
Balance at 1 July 2015	854,550	1,194,518	2,049,068
Balance at 30 June 2016	854,550	1,170,181	2,024,731
Balance at 30 June 2017	854,550	1,145,845	2,000,395

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	2017 RM	2016 RM
Balance at 1 July	37,698,509	40,381,698
Additions	5,997,440	6,564,790
Transfer to property development costs	(2,506,403)	(9,247,979)
Balance at 30 June	41,189,546	37,698,509
Represented by:-		
- Land costs	24,221,362	25,479,922
- Development costs	6,011,142	5,208,652
- Incidental costs incurred for acquisition of land	4,346,312	3,144,205
- Advance payments to landowners ^(a)	6,010,730	3,265,730
- Incidental costs incurred for joint venture agreement	600,000	600,000
	41,189,546	37,698,509

^(a) Being advance payments made pursuant to joint venture agreements entered into by subsidiaries with landowners to develop land owned by the latter

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

6. PROPERTY DEVELOPMENT ACTIVITIES (CONT'D)

Property Development Costs	2017 RM	2016 RM
Balance at 1 July		
- Land costs	8,886,337	0
- Development costs	1,501,407	0
	10,387,744	0
Development costs incurred	2,123,849	1,139,765
Borrowing costs capitalised	7,542	0
Transfer from land held for property development	2,506,403	9,247,979
Costs recognised in profit or loss	(1,853,908)	0
Balance at 30 June	13,171,630	10,387,744
Progress Billings	2017 RM	2016 RM
Billings to purchasers	2,641,126	1,399,629
Property development revenue recognised in profit or loss	(2,271,138)	0
	369,988	1,399,629

Security

Certain development land at costs totalling RM14,514,350 (2016 : RM14,514,350) has been pledged as security for credit facilities granted to the Group. The costs are included in:-

	2017 RM	2016 RM
Land held for property development	3,121,610	5,628,013
Property development costs	11,392,740	8,886,337
	14,514,350	14,514,350

7. INTANGIBLE ASSETS

The Group	Goodwill RM	Intellectual property RM	Total RM
Balance at 1 July 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
Currency translation differences	904	0	904
Impairment loss	0	(189,137)	(189,137)
Balance at 30 June 2017	31,376	61,902	93,278

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8. INVESTMENTS IN SUBSIDIARIES

The Company	2017 RM	2016 RM
Unquoted shares, at cost	99,276,185	97,491,096
Impairment losses	(7,792,944)	(7,501,819)
	91,483,241	89,989,277

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2017	2016	
Kewjaya Sdn. Bhd.	Malaysia	100.00%	100.00%	Money lending
Kobay Assets Sdn. Bhd.	Malaysia	100.00%	100.00%	Property letting
Kobay G Sdn. Bhd.	Malaysia	100.00%	100.00%	Marketing services for property developers
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. ^{(a) (b)}	Singapore	0.00%	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
Premierview Property Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
SMU Kobay 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2017	2016	

Subsidiaries of Lipo Corporation Sdn. Bhd.

Bend Weld Engineering Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment
Kobay Premier Sdn. Bhd. (formerly known as Paradigm Precision Machining Sdn. Bhd.)	Malaysia	100.00%	100.00%	Inactive
Kobay SCM (S) Pte. Ltd. ^{(a)(b)}	Singapore	100.00%	0.00%	Investment holding
Maker Technologies Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of precision moulds and parts
Micro Surface Treatment Sdn. Bhd.	Malaysia	88.00%	88.00%	Precision plating and surface treatment
Omni Value Chain Sdn. Bhd.	Malaysia	100.00%	100.00%	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
Polytool Technologies Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture of industrial equipment, machinery parts and tooling, encapsulation moulds, trim and form dies and progressive tooling for lead frames
Super Tropica Development Sdn. Bhd.	Malaysia	100.00%	100.00%	Property development
KT Microhandling Sdn. Bhd.	Malaysia	100.00%	0.00%	Manufacture of semiconductor assembly and testing equipment

Subsidiary of Kobay SCM (S) Pte. Ltd.

Microhandling Asia Pte. Ltd. ^{(a)(b)}	Singapore	100.00%	59.88%	Inactive
--	-----------	----------------	--------	----------

^(a) Refer to Note 18 for the changes in ownership interests in Kobay SCM (S) Pte. Ltd. and its subsidiary

^(b) Not audited by Crowe Horwath

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

9. INVENTORIES

The Group	2017 RM	2016 RM
Raw materials and consumables	4,143,049	3,040,118
Work-in-progress	6,757,036	6,838,172
Finished goods	3,988,305	4,710,614
	14,888,390	14,588,904

10. RECEIVABLES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	31,729,480	22,811,474	0	0
Allowance for impairment	(325,328)	(229,635)	0	0
	31,404,152	22,581,839	0	0
Subsidiaries	0	0	24,245,112	16,958,636
Allowance for impairment	0	0	(3,738,981)	(3,738,981)
	0	0	20,506,131	13,219,655
Other receivables	4,589,059	5,823,711	55,796	59,446
Allowance for impairment	(3,400,000)	(3,400,000)	0	0
	1,189,059	2,423,711	55,796	59,446
	32,593,211	25,005,550	20,561,927	13,279,101

The currency profile of receivables is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	22,612,568	15,053,256	20,561,927	13,229,651
Singapore Dollar	905,624	560,274	0	49,450
US Dollar	8,866,437	9,381,453	0	0
Others	208,582	10,567	0	0
	32,593,211	25,005,550	20,561,927	13,279,101

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10. RECEIVABLES (CONT'D)

Trade Receivables

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

The movements in allowance for impairment are as follows:-

	The Group	
	2017	2016
	RM	RM
Balance at 1 July	229,635	37,985
Impairment loss recognised	167,333	199,995
Impairment loss reversed	(42,000)	(8,345)
Impairment loss written off	(29,640)	0
Balance at 30 June	<u>325,328</u>	<u>229,635</u>

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

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

	The Group	
	2017	2016
	RM	RM
Not past due	23,183,340	17,608,465
Past due 1 to 30 days	5,242,117	3,763,652
Past due 31 to 120 days	1,979,239	1,206,525
Past due more than 120 days	999,456	3,197
	<u>31,404,152</u>	<u>22,581,839</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 2017, there were 2 (2016 : 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 RM10,077,711 (2016 : RM5,475,984). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2017	2016
	RM	RM
Malaysia	22,895,729	15,354,144
Singapore	2,551,838	2,559,748
United States of America	4,241,847	3,236,933
Others	1,714,738	1,431,014
	<u>31,404,152</u>	<u>22,581,839</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10. RECEIVABLES (CONT'D)

Subsidiaries

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand except for certain amounts totalling RM19,683,319 (2016 : RM12,306,540) which bear interest at 6.00% to 8.00% (2016 : 4.00% to 8.00%) per annum.

The movements in allowance for impairment are as follows:-

	The Company	
	2017	2016
	RM	RM
Balance at 1 July	3,738,981	544,742
Impairment loss recognised ^(a)	0	3,400,000
Impairment loss reversed	0	(205,761)
Balance at 30 June	3,738,981	3,738,981

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	
	2017	2016
	RM	RM
Balance at 1 July	3,400,000	0
Impairment loss recognised ^(a)	0	3,400,000
Balance at 30 June	3,400,000	3,400,000

^(a) In September 2015, with an intention to nominate a subsidiary to enter into a joint venture agreement ("JVA") with a landowner to develop a piece of land owned by the latter, the Company deposited a sum of RM3,400,000 ("Stakeholder Sum") (treated as an advance to the subsidiary in the separate financial statements) with the landowner's solicitor ("Stakeholder") at the Stakeholder's request. As the JVA did not materialise eventually, the Company and 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 Company had initiated civil suit against the Stakeholder and obtained a summary judgement whereby the High Court had ordered the Stakeholder to refund the Stakeholder Sum plus 5% interest until full settlement. However, the Stakeholder had filed an appeal against the summary judgement and the hearing of the appeal is fixed on 2 November 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group	2017 RM	2016 RM
Derivatives classified as held for trading, at fair value	<u>0</u>	<u>10,750</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 and sell USD100,000 at contractual forward rates.

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

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Highly liquid investments	1,536,213	3,306,565	101,376	1,453,398
Term deposits (fixed rate)	3,464,372	3,096,879	8,000	8,000
Cash and bank balances	22,699,105	22,940,321	9,190,251	9,703,745
	<u>27,699,690</u>	<u>29,343,765</u>	<u>9,299,627</u>	<u>11,165,143</u>

Certain term deposits of the Group and the Company totalling RM2,614,372 and RM8,000 (2016 : RM2,596,880 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 are amounts totalling RM637,731 (2016 : RM814,727) held under Housing Development Accounts 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 2017 ranged from 2.80% to 3.15% (2016 : 2.95% to 3.35%) per annum.

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	25,175,207	21,792,586	9,299,627	11,165,143
Singapore Dollar	579,811	2,973,105	0	0
US Dollar	1,869,908	4,110,851	0	0
Others	74,764	467,223	0	0
	<u>27,699,690</u>	<u>29,343,765</u>	<u>9,299,627</u>	<u>11,165,143</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	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and cash equivalents	27,699,690	29,343,765	9,299,627	11,165,143
Term deposits pledged as security	(2,614,372)	(2,596,880)	(8,000)	(8,000)
	<u>25,085,318</u>	<u>26,746,885</u>	<u>9,291,627</u>	<u>11,157,143</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13. PAYABLES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables:-				
- Related party ^(a)	582,186	169,278	0	0
- Unrelated parties	18,056,377	12,434,184	0	0
	18,638,563	12,603,462	0	0
Subsidiaries	0	0	2,120,000	1,220,000
Other payables	7,664,218	8,283,205	366,348	371,410
	<u>26,302,781</u>	<u>20,886,667</u>	<u>2,486,348</u>	<u>1,591,410</u>

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

The currency profile of payables is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	23,811,202	16,849,209	2,486,348	1,591,410
Singapore Dollar	247,144	2,715,923	0	0
US Dollar	2,170,892	1,094,857	0	0
Others	73,543	226,678	0	0
	<u>26,302,781</u>	<u>20,886,667</u>	<u>2,486,348</u>	<u>1,591,410</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 (2016 : RM220,000) which bears interest at 4.00% (2016 : 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

14. LOANS AND BORROWINGS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Secured:-				
- Term loans (floating rate)	10,275,450	9,413,298	8,586,337	9,413,298
Unsecured:-				
- Term loans (floating rate)	0	1,034,885	0	0
- Revolving credit (fixed rate)	1,932,300	975,775	0	0
	1,932,300	2,010,660	0	0
	12,207,750	11,423,958	8,586,337	9,413,298
Disclosed as:-				
- Current liabilities	3,433,825	2,046,275	481,299	430,900
- Non-current liabilities	8,773,925	9,377,683	8,105,038	8,982,398
	12,207,750	11,423,958	8,586,337	9,413,298

Secured term loans are secured against certain property, plant and equipment (Note 4) and development land (Note 6).

The effective interest rates of loans and borrowings as at 30 June 2017 ranged from 4.52% to 7.65% (2016 : 2.50% to 5.25%) per annum.

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	10,275,450	10,448,183	8,586,337	9,413,298
US Dollar	1,932,300	975,775	0	0
	12,207,750	11,423,958	8,586,337	9,413,298

Term loans are repayable over 2 to 20 years. The repayment analysis is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Gross loan instalments:-				
- Within 1 year	1,986,409	1,538,053	859,512	859,512
- Later than 1 year and not later than 2 years	1,541,329	1,275,550	859,512	859,512
- Later than 2 years and not later than 5 years	2,578,536	2,578,536	2,578,536	2,578,536
- Later than 5 years	7,376,125	9,140,225	7,376,125	9,140,225
Total contractual undiscounted cash flows	13,482,399	14,532,364	11,673,685	13,437,785
Future finance charges	(3,206,949)	(4,084,181)	(3,087,348)	(4,024,487)
Present value of term loans:-				
- Within 1 year	1,501,525	1,070,500	481,299	430,900
- Later than 1 year and not later than 2 years	1,162,051	846,655	493,164	451,370
- Later than 2 years and not later than 5 years	1,617,315	1,454,022	1,617,315	1,454,022
- Later than 5 years	5,994,559	7,077,006	5,994,559	7,077,006
	10,275,450	10,448,183	8,586,337	9,413,298

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

15. DEFERRED TAX LIABILITIES

The Group	2017 RM	2016 RM
Balance at 1 July	4,342,333	3,869,536
Deferred tax expense relating to origination and reversal of temporary differences	207,000	396,000
Deferred tax liabilities (over)/under provided in prior year	(256,780)	76,000
Currency translation differences	447	797
Balance at 30 June	4,293,000	4,342,333
In respect of:-		
- Taxable/(Deductible) temporary differences of:-		
- Property, plant and equipment	4,327,000	4,750,333
- Financial instruments	(34,000)	3,000
- Unused capital allowances	0	(51,000)
- Unused tax losses	0	(360,000)
	4,293,000	4,342,333

Save as disclosed above, as at 30 June 2017, 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 RM458,000 and RM17,000 (2016 : RM227,000 and RM27,000) respectively. No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deductible temporary differences of:-				
- Property development costs	566,000	176,000	0	0
- Financial instruments	0	40,000	0	0
Unused capital allowances	2,427,000	1,917,000	624,000	607,000
Unused tax losses	26,488,000	20,158,000	3,255,000	1,323,000
Taxable temporary differences of property, plant and equipment	(1,907,000)	(945,000)	(69,000)	(114,000)
	27,574,000	21,346,000	3,810,000	1,816,000

16. DEFERRED INCOME ON GOVERNMENT GRANTS

The Group	2017 RM	2016 RM
Balance at 1 July	1,977,566	0
Grants related to property, plant and equipment	0	2,186,185
Amortisation	(347,620)	(208,619)
Balance at 30 June	1,629,946	1,977,566

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

17. SHARE CAPITAL

	No. of ordinary shares	RM
<u>Authorised</u>		
Balance at 1 July 2015 ^(a) / 30 June 2016 ^(a)	100,000,000	100,000,000
Increase in authorised share capital ^(a)	100,000,000	100,000,000
Cancellation upon abolition of par value	(200,000,000)	(200,000,000)
Balance at 30 June 2017	0	0
<u>Issued and fully paid</u>		
Balance at 1 July 2015 ^(a) / 30 June 2016 ^(a)	68,080,750	68,080,750
Bonus issue ^(a)	34,012,851	34,012,851
Balance at 30 June 2017 ^(b)	102,093,601	102,093,601

^(a) Ordinary shares of RM1 each

^(b) Ordinary shares with no par value

During the financial year, the Company issued 34,012,851 bonus shares on the basis of 1 new ordinary share for every 2 existing ordinary shares in issue by capitalising the share premium and retained profits of the Company.

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value.

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 details of the shares purchased from the open market using internally generated funds and held as treasury shares are as follows:-

	2017		2016	
	No. of ordinary shares	RM	No. of ordinary shares	RM
Balance at 1 July	181,500	221,473	728,200	888,447
Shares reissued	(126,500)	(154,330)	(546,700)	(666,974)
Balance at 30 June	55,000	67,143	181,500	221,473

The number of outstanding shares in issue after excluding the treasury shares is 102,038,601 (2016 : 67,899,250).

18. NON-CONTROLLING INTERESTS ("NCI")

The Group	Accumulated NCI		Profit/(Loss) Allocated to NCI	
	2017 RM	2016 RM	2017 RM	2016 RM
Kobay SCM (S) Pte. Ltd. and its subsidiary	0	1,287,278	0	480,304
The 12 Avenues Sdn. Bhd.	16,168	16,989	(821)	(489)
Wirama Progresif Sdn. Bhd.	51,278	29,338	21,940	(5,425)
Micro Surface Treatment Sdn. Bhd.	369,388	333,524	101,864	44,434
	436,834	1,667,129	122,983	518,824

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

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

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest Held by NCI		Principal Activity
		2017	2016	
Kobay SCM (S) Pte. Ltd.	Singapore	0.00%	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>Subsidiary of Kobay SCM (S) Pte. Ltd.</u>				
Microhandling Asia Pte. Ltd.	Singapore	0.00%	40.12%	Inactive

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

Changes in Ownership Interests in Subsidiaries

During the financial year:-

- (i) The Company transferred its 60% ownership interest in Kobay SCM (S) Pte. Ltd. ("Kobay SCM") to a wholly-owned subsidiary, Lipo Corporation Sdn. Bhd. ("Lipo").
- (ii) Lipo acquired the remaining 40% ownership interest in Kobay SCM from NCI for cash consideration of RM537,597.
- (iii) Kobay SCM acquired the remaining 0.2% ownership interest in Microhandling Asia Pte. Ltd. from NCI for cash consideration of RM3.

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

	RM
Amount by which NCI are adjusted	989,623
Cash consideration paid	(537,600)
Increase in equity attributable to owners of the Company	452,023

19. REVENUE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	117,284,327	98,946,834	0	0
Rendering of services	4,780,381	4,744,649	1,130,657	1,283,783
Property development revenue	2,271,138	0	0	0
Dividend income	0	0	7,957,614	14,094,957
Interest income	137	0	0	0
Rental income	1,093,220	1,058,568	0	0
	<u>125,429,203</u>	<u>104,750,051</u>	<u>9,088,271</u>	<u>15,378,740</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20. PROFIT BEFORE TAX

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	196,904	176,667	30,000	27,000
- Prior year	5,388	19,500	2,000	3,000
Depreciation of investment properties	24,336	24,337	0	0
Depreciation of property, plant and equipment	6,097,041	5,786,340	95,232	101,289
Direct operating expenditure for investment properties generating rental income	6,536	4,562	0	0
Employee benefits expense (Note 21)	35,420,338	32,302,871	3,138,946	3,419,538
Fee expense for financial instruments not at fair value through profit or loss	463,504	123,547	80,329	7,575
Impairment loss on intangible assets ^(a)	189,137	0	0	0
Impairment loss on investments in subsidiaries ^(a)	0	0	291,125	0
Impairment loss on loans and receivables:-				
- Subsidiary	0	0	0	3,400,000
- Unrelated parties	167,333	3,599,995	0	0
Impairment loss on property, plant and equipment ^(a)	343,971	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	101,949	179,011	47,018	115,036
Property, plant and equipment written off	88,200	12,437	544	1,384
Rental expense	530,004	644,959	149,490	104,059
Unrealised loss on foreign exchange	232,190	0	0	0
and crediting:-				
Amortisation of deferred income on government grants	347,620	208,619	0	0
Bad debts recovered	163,672	0	0	0
Gain on disposal of property, plant and equipment	258,397	2,405,073	0	0
Gain on disposal of subsidiaries	0	0	1,185,189	13,996,467
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	0	10,750	0	0
Gain on foreign exchange:-				
- Realised	608,928	672,184	8,444	16,358
- Unrealised	0	7,924	0	0
Interest income for financial assets not at fair value through profit or loss	295,834	330,683	1,000,311	362,115
Rental income from investment properties	167,333	159,996	0	0
Reversal of impairment loss on loans and receivables:-				
- Subsidiary	0	0	0	205,761
- Unrelated parties	42,000	8,345	0	0

^(a) Included in administrative and general expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

21. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Directors of the Company:-				
- Fees	22,500	15,000	22,500	15,000
- Other short-term employee benefits	1,010,867	1,135,351	971,424	1,094,408
- Defined contribution plans	102,418	113,410	99,883	110,777
	1,135,785	1,263,761	1,093,807	1,220,185
Directors of subsidiaries:-				
- Fees	50,560	0	0	0
- Other short-term employee benefits	484,664	1,009,417	0	0
- Defined contribution plans	48,771	95,395	0	0
	583,995	1,104,812	0	0
Other employees:-				
- Short-term employee benefits	30,993,251	27,573,515	1,827,428	1,979,661
- Defined contribution plans	2,707,307	2,360,783	217,711	219,692
	33,700,558	29,934,298	2,045,139	2,199,353
	35,420,338	32,302,871	3,138,946	3,419,538

22. TAX EXPENSE

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Tax based on results for the year:-				
Current tax	3,003,400	2,346,276	86,000	0
Deferred tax	207,000	396,000	0	0
Real Property Gains Tax	0	61,456	0	0
	3,210,400	2,803,732	86,000	0
Tax (over)/under provided in prior year:-				
Current tax	(171,796)	(283,677)	41,074	0
Deferred tax	(256,780)	76,000	0	0
Real Property Gains Tax	(16,427)	6,557	(16,427)	6,557
	2,765,397	2,602,612	110,647	6,557

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	
	2017	2016	2017	2016
	%	%	%	%
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	12.60	61.81	2.76	4.13
Non-taxable income	(5.00)	(44.51)	(32.58)	(30.69)
Tax incentives claimed	(9.11)	(10.23)	0.00	0.00
Effect of differential tax rates	0.00	(7.96)	0.00	0.00
Increase in unrecognised deferred tax assets	19.60	13.88	7.10	2.56
Average effective tax rate	42.09	36.99	1.28	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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:-

	2017	2016 (Restated)
Profit for the financial year attributable to owners of the Company (RM)	4,738,971	4,458,111
Number of shares in issue as at 1 July	67,899,250	67,352,550
Effect of shares reissued	66,543	515,323
Effect of bonus issue ^(a)	33,982,897	33,933,937
Weighted average number of shares in issue	101,948,690	101,801,810
Basic earnings per share (sen)	4.65	4.38

^(a) The calculation of basic earnings per share for the previous financial year has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus issue.

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	2017 RM	2016 RM
Final single tier dividend of 3 sen per share in respect of the financial year ended 30 June 2015	0	2,031,023

25. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,677,674	2,159,768	1,391,018	1,574,505
- Defined contribution plans	164,197	208,805	147,360	166,537
	1,841,871	2,368,573	1,538,378	1,741,042
Disposal of property, plant and equipment to subsidiary	0	0	5,644	774
Disposal of subsidiaries to subsidiary	0	0	1,200,000	18,806,208
Dividends received from subsidiaries	0	0	7,957,614	14,094,957
Interest charged by subsidiaries	0	0	8,174	15,550
Interest charged to subsidiaries	0	0	972,558	327,778
Management fees charged to subsidiaries	0	0	1,130,657	1,283,783
Purchase of goods from other related party ^(a)	1,010,413	833,326	0	0
Rental of premises charged by subsidiary	0	0	0	48,000
Rental of premises charged by other related party ^(a)	247,698	92,887	149,490	56,059
Sale of development unit to other related party ^(b)	0	1,377,600	0	0
Subscription for shares in subsidiaries	0	0	599,900	1,299,996

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

25. RELATED PARTY DISCLOSURES (CONT'D)

- (a) Being companies in which certain directors have substantial financial interests
 (b) Being a close family member of a director

26. SEGMENT REPORTING

The Group

Operating Segments

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

- | | |
|---------------------------|---|
| (i) Manufacturing | - Manufacture of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil & gas production and extraction equipment |
| (ii) 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, supply of engineering parts and supply chain management.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Segments (Cont'd)

	Manufacturing RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
2017						
STATEMENT OF FINANCIAL POSITION						
Segment assets	105,207,203	60,043,876	17,334,341	124,775,538	(116,119,327)	191,241,631
Included in the measure of segment assets are:-						
- Additions to non-current assets	3,552,882	6,721,249	84,350	59,423	(391,769)	10,026,135
Segment liabilities	30,291,492	24,512,489	2,264,480	14,679,025	(26,697,565)	45,049,921
STATEMENT OF COMPREHENSIVE INCOME						
Segment profit/(loss)	9,487,455	(2,337,492)	663,413	6,415,469	(9,366,891)	4,861,954
Included in the measure of segment profit/(loss) are:-						
- External revenue	118,644,180	2,271,138	4,513,885	0	0	125,429,203
- Intersegment revenue	720,000	0	513,694	18,667,081	(19,900,775)	0
- Interest income	201,679	8,809	47,212	1,010,692	(972,558)	295,834
- Non-cash income	347,620	0	42,000	0	0	389,620
- Interest expense	63,106	463,917	0	47,018	(472,092)	101,949
- Depreciation	5,298,530	227,422	502,219	99,252	(6,046)	6,121,377
- Impairment losses	533,108	0	167,333	0	0	700,441
- Other non-cash expenses	319,846	0	0	544	0	320,390
- Tax expense	2,416,796	0	206,721	141,880	0	2,765,397

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

26. SEGMENT REPORTING (CONT'D)

Operating Segments (Cont'd)

	Manufacturing 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	99,944,861	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	7,566,509	7,492,378	62,990	421,806	0	15,543,683
Segment liabilities	26,022,877	15,774,256	2,277,027	14,616,916	(18,428,542)	40,262,534
STATEMENT OF COMPREHENSIVE INCOME						
Segment profit/(loss)	11,080,669	(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	102,096,231	0	2,653,820	0	0	104,750,051
- Intersegment revenue	334,579	0	1,319,970	15,378,740	(17,033,289)	0
- Interest income	224,795	10,634	54,625	375,138	(334,509)	330,683
- Non-cash income	228,324	0	7,314	0	0	235,638
- Interest expense	79,525	327,777	0	115,036	(343,327)	179,011
- Depreciation	5,152,868	35,412	496,304	101,763	24,330	5,810,677
- Impairment losses	0	3,400,000	199,995	0	0	3,599,995
- Other non-cash expenses	9,094	1,959	0	1,384	0	12,437
- Tax expense	2,317,073	0	255,248	6,557	23,734	2,602,612

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Malaysia	81,264,578	56,801,456	101,221,130	100,101,610
Singapore	13,683,570	18,983,137	19,753	363,584
United States of America	20,931,460	19,245,258	0	0
Other foreign countries	9,549,595	9,720,200	0	0
	125,429,203	104,750,051	101,240,883	100,465,194

Major Customers

For the financial year ended 30 June 2017, there was 1 (2016 : NIL) major customer of the manufacturing segment that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM21,812,542 (2016 : NIL).

27. CONTRACTUAL COMMITMENTS

The Group	2017	2016
	RM	RM
Purchase of property, plant and equipment	261,000	159,000
Purchase of investment properties	0	450,000
	261,000	609,000

28. CONTINGENT LIABILITIES

The Group

Material Litigation

In July 2016, a customer appointed a subsidiary to carry out certain fabrication works. In view of the delay on the work progress which was caused by the customer, parties agreed that the customer would take over the remaining works and bear all the financial and monetary costs arising therefrom. After completion of works, the customer contended that the subsidiary had failed and/or neglected to complete the works and filed a legal claim demanding RM2,868,713 (plus interest and costs) for costs incurred in completing the remaining works taken over from the subsidiary. The subsidiary also filed a legal claim seeking RM1,473,002 (plus interest and costs) for works performed and billed. Both suits are presently before the Construction Court of Kuala Lumpur High Court and the next case management has been fixed on 27 October 2017.

The subsidiary's solicitors are of the opinion that the subsidiary has a fair chance of succeeding in its claim and defending the customer's claim. Accordingly, no provision has been recognized in the financial statements as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Company

Financial Guarantee Contracts

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 RM46,767,000 (2016 : RM35,147,000). The total utilisation of these credit facilities as at 30 June 2017 amounted to approximately RM4,186,000 (2016 : RM2,528,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28. CONTINGENT LIABILITIES (CONT'D)

The Company (Cont'd)

Financial Guarantee Contracts (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.

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 currency within the Group is Ringgit Malaysia ("RM") 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency Risk (cont'd)

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	Increase/ (Decrease) in Profit
	2017	2016
	RM	RM
Appreciation of USD against RM by 10%	490,563	721,256
Depreciation of USD against RM by 10%	(490,563)	(721,256)

Interest Rate Risk

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

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

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

	The Group		The Company	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit
	2017	2016	2017	2016
	RM	RM	RM	RM
Increase in interest rates by 50 basis points	(42,932)	(54,707)	(42,932)	(47,066)
Decrease in interest rates by 50 basis points	42,932	54,707	42,932	47,066

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Total loans and borrowings	12,207,750	11,423,958	8,586,337	9,413,298
Total equity	146,191,710	141,992,095	110,698,618	103,941,912
Total capital	158,399,460	153,416,053	119,284,955	113,355,210
Debt-to-equity ratio	0.08 : 1	0.08 : 1	0.08 : 1	0.09 : 1

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

SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	63,340,726	88,850,410	8,672,160	33,737,031
- Unrealised	(2,192,942)	(1,922,816)	0	0
	61,147,784	86,927,594	8,672,160	33,737,031
Consolidation adjustments and eliminations	(19,467,034)	(18,593,446)	0	0
Total retained profits as per statement of financial position	41,680,750	68,334,148	8,672,160	33,737,031

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

SHAREHOLDING STATISTIC

AS AT 29 SEPTEMBER 2017

Issued Share Capital	:	102,093,601 shares (includes 55,000 treasury shares)
Class of Equity Shares	:	Ordinary shares at an issue price of RM1.00 each
Voting Rights	:	One vote per shareholder on a show of hands or one vote per share on a poll

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	534	14.01	36,702	0.03
100 - 1,000	193	5.06	88,502	0.09
1,001 - 10,000	2,552	66.97	8,800,722	8.62
10,001 - 100,000	490	12.86	12,935,021	12.67
100,001 - 5,104,679*	40	1.05	34,043,444	33.35
5,104,679 and above**	2	0.05	46,189,210	45.24
TOTAL	3,811	100.00	102,093,601	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kobay Holdings Sdn. Bhd.	26,284,510	25.75	—	—
Norinv Kapital Sdn. Bhd.	19,904,700	19.50	—	—
Dato' Seri Koay Hean Eng	2,481,231	2.43	26,284,510^	25.75
Koay Cheng Lye	1,588,492	1.56	26,284,510^	25.75
Koay Ah Bah @ Koay Cheng Hock	1,326,997	1.30	26,284,510^	25.75
			951,750#	0.93

DIRECTORS' SHAREHOLDING

Name of Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Seri Koay Hean Eng	2,481,231	2.43	26,284,510^	25.75
Koay Cheng Lye	1,588,492	1.56	26,284,510^	25.75
Koay Ah Bah @ Koay Cheng Hock	1,326,997	1.30	26,284,510^	25.75
			951,750#	0.93
Lim Swee Chuan	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
Khaw Eng Peng	—	—	—	—

Notes:-

* less than 5% of the issued share capital of 102,093,601 shares inclusive of 55,000 treasury shares held by the Company

** 5% and above of the issued share capital of 102,093,601 shares inclusive of 55,000 treasury shares held by the Company

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

Deemed interested by virtue of the interest in shares of his sons, Mr. Koay Wooi Seong and Mr. Koay Wooi Tatt, pursuant to Section 59(1)(c) of the Companies Act 2016

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

SHAREHOLDING STATISTIC (CONT'D)

AS AT 29 SEPTEMBER 2017

THIRTY (30) LARGEST SHAREHOLDERS (AS AT 29 SEPTEMBER 2017)

Name of Shareholders	No. of Shares Held	% Shareholding
1. Kobay Holdings Sdn. Bhd.	26,284,510	25.75
2. Norinv Kapital Sdn. Bhd.	13,350,300	13.08
3. Norinv Kapital Sdn. Bhd.	6,554,400	6.42
4. Premiergrow Capital Sdn. Bhd.	5,019,900	4.92
5. Ch'ng Chuon Ghee	4,664,550	4.57
6. Inna Capital Sdn. Bhd.	2,683,074	2.63
7. Koay Hean Eng	2,481,231	2.43
8. Inna Capital Sdn. Bhd.	2,336,550	2.29
9. Ch'ng Way Aik	1,768,350	1.73
10. Ng Mun Fye	1,714,200	1.68
11. Koay Cheng Lye	1,588,492	1.56
12. Tan Lai Hock	1,102,000	1.08
13. Tan Jin Tuan	999,900	0.98
14. Tan Jin Tuan	855,000	0.84
15. Koay Ah Bah @ Koay Cheng Hock	854,497	0.84
16. Lai Chin Loy	729,900	0.71
17. Leong Kok Tai	600,250	0.59
18. Koay Wooi Seong	475,875	0.47
19. Koay Wooi Tatt	475,875	0.47
20. Koay Ah Bah @ Koay Cheng Hock	472,500	0.46
21. Ng Phaik Lean	391,950	0.38
22. Neong Kok Hooi	328,500	0.32
23. Ch'ng Chuon Ghee	257,300	0.25

SHAREHOLDING STATISTIC (CONT'D)

AS AT 29 SEPTEMBER 2017

THIRTY (30) LARGEST SHAREHOLDERS (AS AT 29 SEPTEMBER 2017) (CONT'D)

Name of Shareholders	No. of Shares Held	% Shareholding
24. Sapiah Binti Abu	243,750	0.24
25. CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Saw Kok Leng (MY1931)	237,750	0.23
26. Lew Yok Kee	232,500	0.23
27. Tang Theng Kow	223,500	0.22
28. Bea Chin Teck	200,000	0.20
29. Maybank Nominees (Tempatan) Sdn. Bhd. Lee Chin Ark	200,000	0.20
30. Rajan Bhatt @ Achai	197,100	0.19
TOTAL :	<u>77,523,704</u>	<u>75.93</u>

Note:

The percentage of shareholding is calculated based on 102,093,601 shares inclusive the 55,000 treasury shares retained by the Company.

LIST OF PROPERTIES

AS AT 30 JUNE 2017

Location	Description/Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @30.06.17 (RM'000)
* PN5918, Lot 12383, Mukim 12, Daerah Barat Daya, Pulau Pinang Plot 30, Hilir Sungai Kluang 1, Bayan Lepas Industrial Park, Phase 4, 11900 Pulau Pinang	Single storey factory with an annexed two storey office block in front	Approx. 130,652 sq. ft/ (85,007 sq. ft)	01.07.1991	Leasehold for 60 years expiring on 26.12.2051/ (22 years)	7,245
PN4028, Lot 12461, Mukim 12, Daerah Barat Daya, Pulau Pinang Plot 83, Medan Bayan Lepas, Bayan Lepas Industrial Park, Phase 4, 11900 Pulau Pinang	Single storey factory building with an annexed two storey office block	Approx. 87,599 sq. ft/ (53,840 sq. ft)	24.06.1998	Leasehold for 60 years expiring on 17.01.2062/ (17 years)	6,482
HS(D) No. 38116, PT 1528 & HS(D) No. 47236, PT 1530, Mukim 1, Daerah Seberang Prai Tengah, Pulau Pinang 2631, Lot 376 & 377, Lorong Perusahaan 10, Phase 3, Prai Industrial Estate, 13600 Pulau Pinang	Single storey factory building with an annexed single storey office block	Approx. 118,099 sq. ft/ (86,900 sq. ft)	20.05.1997	Leasehold for 60 years expiring on 07.08.2045/ (26 years)	5,617
HS(D) No. 42050, PT 5, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang 967, Jalan Perusahaan, Kawasan Perusahaan Prai, 13600 Pulau Pinang	Single storey factory building	Approx. 22,500 sq. ft/ (20,000 sq. ft)	19.09.1991	Leasehold for 99 years expiring on 21.01.2071/ (24 years)	733
GRN459888, Lot No. 6348, GRN459887, Lot No. 6341, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor Lot 3611, Batu 30, Jalan Johor, 81500 Pekan Nenas, Johor	Single storey factory building	Approx. 4.22 hectares (25,630 sq. ft)	09.06.2009	Freehold/ (6 year)	4,652
GRN24324, Lot No. 2628, Sek 4, Daerah Seberang Prai Utara, Butterworth, Pulau Pinang No. 1, Lorong Bagan Luar Satu, 12000 Butterworth, Pulau Pinang	8 storey hotel building	Approx 4,305 sq. ft (36,822 sq.ft)	06.01.2011	Freehold/ (35 years)	4,226
HS (M) 12786, PT17679 Ladang PKNK, Bandar Sungai Petani, Kuala Muda, Kedah No. 6516, Lorong Ayam Didik, Kawasan Perusahaan Ringan, Taman Ria Jaya, 08000 Sungai Petani, Kedah	Single storey factory building with two storey office block in front	Approx. 34,182 sq. ft (16,049 sq. ft)	22.07.2014	Freehold (26 years)	2,000

LIST OF PROPERTIES (CONT'D)

AS AT 30 JUNE 2017

Location	Description/Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @30.6.17 (RM'000)
----------	--------------------------	---------------------------	---------------------	---------------------------	----------------------------------

Land Held For Property Development

GRN47092 Lot 34, GRN46881 Lot 35, GRN46882 Lot 36, GRN28204 Lot 249, GRN44961 Lot 251, GRN52732 Lot 990, GRN52733 Lot 992, GRN27217 Lot 993, GRN28218 Lot 995, GRN28219 Lot 996, HS (D) No. 18014, PT143 Bandar Tanjung Bungah, Daerah Timur Laut, Pulau Pinang	Vacant land for future development	Approx. 67,336 sq. ft.	01.12.2009/ 25.02.2010/ 18.05.2011/ 29.02.2012	Freehold	13,635
HS(M) No.802, PT334, Bandar Padang Mat Sirat, Pantai Tengah, Langkawi	Development land approved for housing	Approx. 2.54 hectares	07.10.2013	Freehold	16,599
GM 653, Lot 1671, Mukim 12, Daerah Barat Daya, Pulau Pinang	Vacant land for future development	Approx. 33,018 sq. ft.	12.02.2015/ 29.06.2015/ 17.02.2016/ 21.04.2017	Freehold	12,242
GM 654, Lot 1672, Mukim 12, Daerah Barat Daya, Pulau Pinang	266/275 undivided shares of the Land	Approx. 38,843 sq. ft.	11.09.2015	Freehold	
	Vacant land for future development				
GM3427, Lot 71125, Mukim 12, Daerah Barat Daya, Pulau Pinang	Vacant land for future development	Approx. 16,910 sq. ft.	24.04.2015	Freehold	

Location	Land Area	Tenure	Advances to Landowners & Development Cost (RM'000)
----------	-----------	--------	--

Development Land Under Landowner And Developer Agreement

Seberang Perai Tengah, Pulau Pinang	239,843 sq.ft.	Freehold	1,266
Mukim Lumut, Manjung, Perak	849,509 sq.ft.	Leasehold for 99 years expiring on 07.02.2112	8,619
GM652, Lot 1670, Mukim 12, Daerah Barat Daya, Pulau Pinang	43,124 sq.ft	Freehold	2,000

Note:-

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

This page is intentionally left blank



Property Development Division Office

Ground & First Floor, Wisma Kobay,
No. 42-B Jalan Rangoon,
10400 Georgetown, Penang, Malaysia.
Tel.: 04-3711 339 Fax : 04-3711 341



ANUGERAH KECEMERLANGAN INDUSTRI 2016

Manufacturing Division



STAR PROPERTY AWARDS 2017

Property Development Division



Manufacturing Division Office

Plot 30, Hilir Sungai Kluang Satu, Bayan Lepas Industrial Park, Phase 4,
11900 Bayan Lepas, Penang, Malaysia.
Tel.: 04-6411 888 Fax : 04-6412 888



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

Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang

www.kobaytech.com