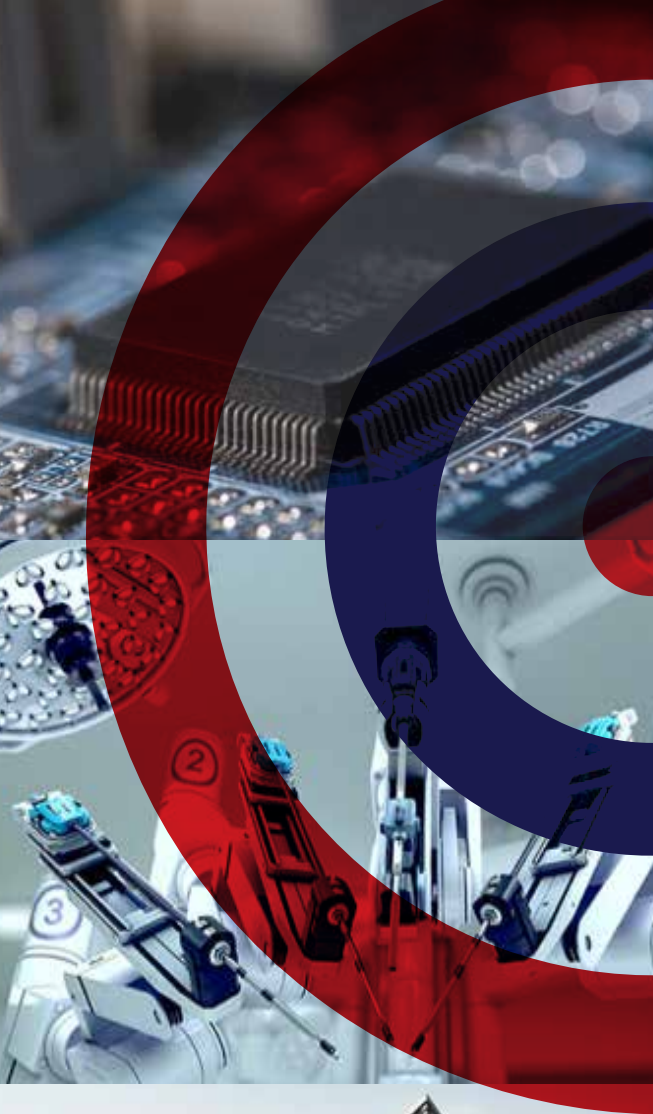




TOWARDS
**GREATER
GOALS**



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CORPORATE INFORMATION

Board of Directors

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

Koay Cheng Lye
Executive Director / Chief Administrative Officer

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

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

Audit and Risk Management Committee

Khaw Eng Peng
Chairman

Dr. Mohamad Zabdi Bin Zamrod
Member

Koay Ah Bah @ Koay Cheng Hock
Member

Nominating Committee

Khaw Eng Peng
Chairman

Dr. Mohamad Zabdi Bin Zamrod
Member

Koay Ah Bah @ Koay Cheng Hock
Member

Remuneration Committee

Dato' Seri Koay Hean Eng
Chairman

Dr. Mohamad Zabdi Bin Zamrod
Member

Khaw Eng Peng
Member

Secretaries

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

Wong Mee Choon (MACS 01562)

Registered Office

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

Registrar

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

Website

www.kobaytech.com

Auditors

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

Bankers

Hong Leong Bank Berhad
Public Bank Berhad
Alliance Bank Malaysia Berhad
Ambank (M) 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-Fifth (25th) 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 Thursday, 21 November 2019 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 2019 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of first and final single tier dividend of 3.0 sen in respect of the financial year ended 30 June 2019. Resolution 1
3. To retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director in accordance with Malaysian Code on Corporate Governance 2017. Resolution 2
4. To retain Mr. Khaw Eng Peng as Senior Independent and Non-executive Director in accordance with Malaysian Code on Corporate Governance 2017. Resolution 3
5. To re-elect Dato' Seri Koay Hean Eng as Company Director, who retires in accordance with Article 95 of the Company's Constitution ("Articles of Association"). Resolution 4
6. 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 5
7. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company and to authorize the Directors to fix their remuneration. Resolution 6

SPECIAL BUSINESS

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

8. ORDINARY RESOLUTION Resolution 7
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 2019 be and is hereby approved."
9. ORDINARY RESOLUTION Resolution 8
AUTHORITY TO ISSUE SHARES IN ACCORDANCE TO SECTION 75 AND 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 75 and 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."
10. ORDINARY RESOLUTION Resolution 9
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 total 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."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

10. ORDINARY RESOLUTION

Resolution 9

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

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

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

- a. 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
- b. the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to sections 340(1) & (2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act, 2016); or
- c. 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."

11. ORDINARY RESOLUTION

Resolution 10

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT pursuant to paragraph 10.09 of the Listing Requirements of Bursa Securities, a mandate of the shareholders be and is hereby granted to allow recurrent related party transactions of a revenue or trading nature ("RRPTs"), which are necessary for the day-to-day operations of the Company and/or its subsidiary companies ("Kobay Group"), to be entered into by the Kobay Group in the ordinary course of business, PROVIDED THAT such transactions are entered into at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company, the particulars of such transactions are set out in Section 2.4 of the Circular to Shareholders of Kobay dated 30 October 2019 ("Proposed Shareholders' Mandate");

THAT the authority conferred by this resolution shall commence immediately upon the passing of this Ordinary Resolution and shall continue to be in force until:-

- a. the conclusion of the next Annual General Meeting ("AGM") of the Company, 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
- b. the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to sections 340 (1) & (2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act, 2016); or
- c. revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

11. ORDINARY RESOLUTION Resolution 10
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

AND THAT the Directors of the Company and/or any of them be and are hereby authorised to give effect to the Proposed Shareholders' Mandate with full powers to deal with all matters relating thereto and to complete and do all acts and things (including executing such documents as may be required) in connection with the Proposed Shareholders' Mandate."

12. SPECIAL RESOLUTION Resolution 11
PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

"THAT the Proposed Adoption of New Constitution as set out in Appendix II of this Circular, be and is hereby approved.

AND THAT the Directors and Secretary of the Company be and are hereby authorised to do all such acts, deeds and things to execute, sign and deliver all documents for and on behalf of the Company as they may consider necessary or expedient to give effect to and implement the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, variations and alterations as may be imposed or permitted by the relevant authorities."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Twenty-Fifth (25th) Annual General Meeting, the first and final single tier dividend of 3.0 sen per ordinary share in respect of the financial year ended 30 June 2019 will be paid on 20 January 2020 to depositors registered in the Records of Depositors on 31 December 2019.

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

- a) Shares transferred into the depositor's securities account before 4.00 p.m. on 31 December 2019 in respect of ordinary transfers;
- b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

BY ORDER OF THE BOARD

CHAN MUN SHEE (MAICSA 7003071)
WONG MEE CHOON (MACS 01562)
Company Secretaries
Penang, 30 October 2019

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 13 November 2019. Only a depositor whose name appears on the Record of Depositors as at 5.00 p.m. on 13 November 2019 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 off 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.

EXPLANATORY NOTES :

Resolution 2

In accordance with Malaysian Code on Corporate Governance 2017, 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 12 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 in two (2) tier voting 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 3

In accordance with Malaysian Code on Corporate Governance 2017, the Nominating Committee has assessed the independency of Mr. Khaw Eng Peng, who has served as Senior Independent and Non-executive Director for a cumulative term of 9 years, and recommended to Board of Directors to retain Mr. Khaw Eng Peng as Senior Independent and Non-executive Director whereby the Board recommends and proposes to the shareholders' approval in one (1) tier voting to retain Mr. Khaw Eng Peng 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 7

The proposed Ordinary Resolution under item 8 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 2019 as required under Article 103 of the Company's Constitution ("Articles of Association").

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Resolution 8

A mandate was sought and approved by the members during the Twenty-Third (24th) AGM held on 22 November 2018. 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 9

The proposed Ordinary Resolution under item 10 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 Circular/Statement to Shareholders dated 30 October 2019.

Resolution 10

The proposed Ordinary Resolution under item 11, if passed, will allow the Group to enter into recurrent related parties transactions of a revenue or trading nature and in the ordinary course of business which are necessary for day-to-day operations pursuant to Paragraph 10.09(1) of the Bursa Malaysia Securities Berhad's Listing Requirements. The details of this proposal are set out in the Circular/Statement to Shareholders dated 30 October 2019.

Resolution 11

The proposed Ordinary Resolution under item 12, if passed, will bring the Company's Constitution ("Articles of Association") in line with the enforcement of the Companies Act 2016, which came into force on 31 January 2017 and the updated provisions of the Main Market Listing Requirements of Bursa Securities. The Proposed Adoption is set out in Part C of the Circular to Shareholders dated 30 October 2019 which is dispatched together with the Company's Annual Report 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

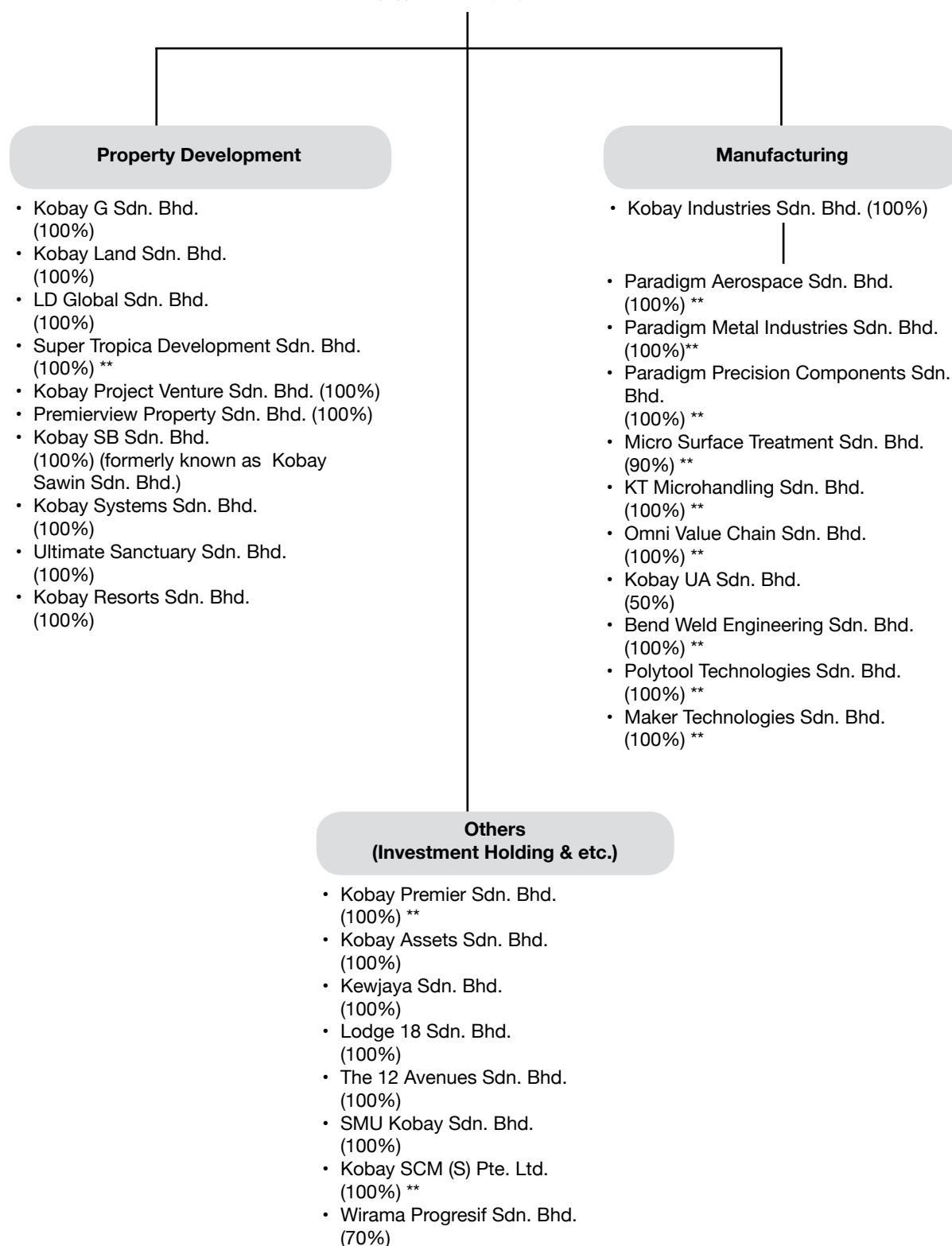
The profile of the Directors who are standing for retirement and re-election (as per Resolution 2 - 5 as stated in the Notice of Annual General Meeting) at the Twenty-Fifth (25th) Annual General Meeting of Kobay Technology Bhd. which will be held at 4th Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang on Thursday, 21 November 2019 at 2.30 p.m., are stated on page 9 & 10 of the Annual Report 2019.

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

CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2019

KOBAY TECHNOLOGY BHD.



Notes :-

** Subsidiary of Kobay Industries Sdn. Bhd.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Mohamad Zabdi Bin Zamrod

Malaysian, aged 77, Male

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

Dr. Mohamad Zabdi Bin Zamrod graduated with Doctorate in Curriculum and Teaching in Physical Education 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. During his service tenure as Board's Chairman, together with the Company Secretaries, he has fostered a culture of compliance and governance in the Group.

Pursuant to the Malaysian Code on Corporate Governance, 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 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 30 September 2019.

Dato' Seri Koay Hean Eng

Malaysian, aged 61, Male

Managing Director/Chief Executive Officer/Member of Executive Committee/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 residential apartment to landed properties in Penang.

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.

Dato' Seri Koay Hean Eng 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.

As of 30 September 2019, Dato' Seri Koay Hean Eng has direct shareholding of 2,481,231 ordinary shares and indirect shareholding of 26,284,510 ordinary shares via Kobay Holdings Sdn. Bhd., a major shareholder of the Company, by virtue of his substantial direct interest in Kobay Holdings Sdn. Bhd.

Koay Cheng Lye

Malaysian, aged 71, Male

Executive Director/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 on 17 September 1994 prior to the floatation exercise of the Company 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 Group's operations.

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

As of 30 September 2019, Mr. Koay Cheng Lye 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 AND SENIOR MANAGEMENT (CONT'D)

Koay Ah Bah @ Koay Cheng Hock

Malaysian, aged 73, Male

Non-independent and Non-executive Director/Member of Nominating Committee/Member of 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 residential apartment to landed properties in Penang.

As of 30 September 2019, Mr. Koay Cheng Hock has direct shareholding of 1,326,997 ordinary shares in the Company and indirect shareholdings of 27,236,260 ordinary shares, via Kobay Holdings Sdn. Bhd., a major shareholder of the Company by virtue of his direct shareholding in Kobay Holdings Sdn. Bhd. and vide his sons' direct shareholding in the Company.

Lim Swee Chuan

Malaysian, aged 53, Male

Executive Director/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 in 1991, he worked for Cycle & Carriage (M) Sdn. Bhd. as an 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 and subsequently held various positions in the Group's Finance Department ranking from Finance Section Manager, Group Finance Manager to Group General Manager (Finance).

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 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.

Mr. Lim Swee Chuan has no direct/indirect shareholding in Kobay as of 30 September 2019.

Khaw Eng Peng

Malaysian, aged 52, Male

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

Mr. Khaw Eng Peng is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. He joined Messrs. Coopers and Lybrand (now merged under the firm PricewaterhouseCoopers) in 1993 attaching to audit and compliance services division and he left in 1996 as Assistant Audit Manager. He then joined Oriental Interest Berhad ("OIB") Group as Senior Manager in Finance and Administration Department. In year 2001, he was promoted to Assistant General Manager overseeing all financial reporting, corporate compliance and administrative aspects of OIB Group. Mr. Khaw was appointed as Executive Director of OIB on 5 November 2007 and was subsequently re-designated as Chief Financial Officer on 13 December 2013, upon resigning from OIB Board. In January 2017, Mr. Khaw left OIB and started providing freelance consultancy services in corporate, financial reporting and taxation.

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, and also appointed as Chairman of Audit and Risk Management Committee, Chairman of Nominating Committee and member of Remuneration Committee.

Pursuant to the Malaysian Code on Corporate Governance, Mr. Khaw Eng Peng'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 Mr. Khaw Eng Peng has been abstained in voting, proposed to retain Mr. Khaw Eng Peng as Senior Independent Non-executive Director of the Company.

Mr. Khaw Eng Peng has no direct/indirect shareholding in Kobay as of 30 September 2019.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

KEY SENIOR MANAGEMENT

Koay Wooi Tatt

Malaysian, aged 42, 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 equipment. His working experience within Kobay Group has provided him an in-depth knowledge of the Group's operation systems and procedures.

Saved for his directorship in the subsidiary companies of manufacturing division, he has no directorship in any public company 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 30 September 2019, Mr. Koay Wooi Tatt has direct shareholding of 475,875 ordinary shares in the Company.

Koay Zee Ee

Malaysian, aged 32, Male

Chief Operating Officer – Property Development Division/Member of Executive Committee

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 equipments and structures for the subsea oil and gas industry. He has managed to build the foundation of business and manufacturing excellence of BWE and relocated the operations 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 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.

Saved for his directorship in the subsidiary companies of Property Development Division, he has no directorship in any public company and Kobay.

Mr. Koay Zee Ee has no direct/indirect shareholding in Kobay as of 30 September 2019.

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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

OTHER INFORMATION (CONT'D)

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

Conflict of Interest

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

Conviction for Offences

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

Number of board meetings attended in the financial year ended 30 June 2019

Four (4) board meetings were held during the financial year ended 30 June 2019. 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 30.09.2019			
	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Directors				
Dato' Seri Koay Hean Eng	2,481,231	2.43	*26,284,510	25.75
Koay Cheng Lye	1,588,492	1.56	*26,284,510	25.75
Koay Ah Bah @ Koay Cheng Hock	1,326,997	1.30	#27,236,260	26.68
Lim Swee Chuan	—	—	—	—
Khaw Eng Peng	—	—	—	—
Dr. Mohamad Zabdi Bin Zamrod	—	—	—	—
Substantial Shareholders				
Kobay Holdings Sdn. Bhd. ("KHSB")	26,284,510	25.75	—	—
Norinv Kapital Sdn. Bhd.	19,904,700	19.50	—	—
Premiergrow Capital Sdn. Bhd.	7,939,000	7.78	—	—
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	#27,236,260	26.68

Notes:-

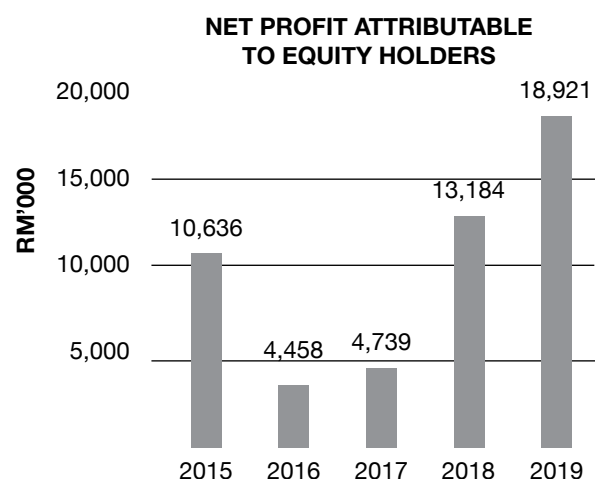
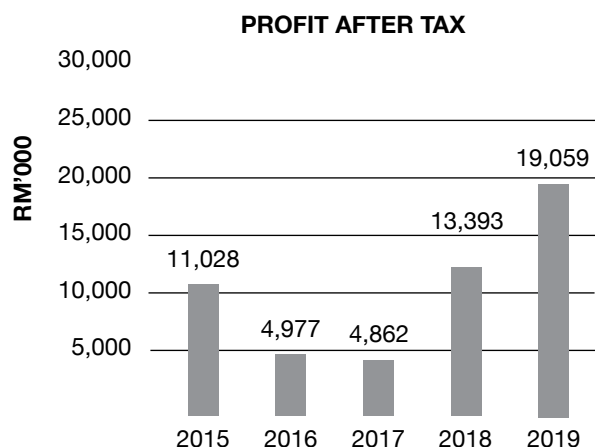
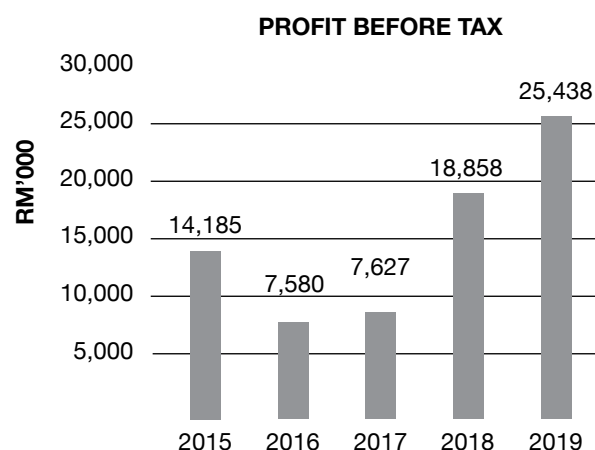
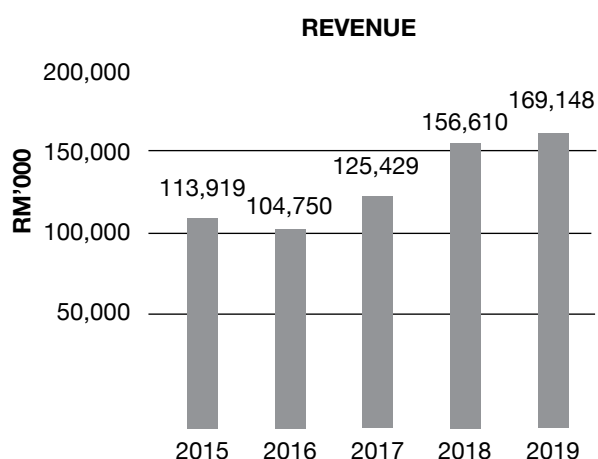
- * Deemed interest by virtue of shares held by company in which the director has interest
- # Deemed interest by virtue of 26,284,510 shares held by company in which the director has interest and 951,750 shares held by his sons

By virtue of their interest in the shares in the Company, Dato' Seri Koay Hean Eng, Mr. Koay Cheng Lye and Mr. Koay Ah Bah @ Koay Cheng Hock are also deemed to have interest in the shares in the subsidiaries to the extent of the Company's interest, 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.

FINANCIAL HIGHLIGHTS

	2015	2016	2017	2018	2019
Statement of Comprehensive Income	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	113,919	104,750	125,429	156,610	169,148
Profit before tax	14,185	7,580	7,627	18,858	25,438
Profit after tax	11,028	4,977	4,862	13,393	19,059
Net profit attributable to equity holders	10,636	4,458	4,739	13,184	18,921
Statement of Financial Position					
Total Assets	172,607	182,255	191,242	209,919	244,943
Total Borrowing	10,744	11,424	12,208	12,019	22,064
Equity attributable to owners of the Company	136,462	140,325	145,755	158,601	177,529
Financial Indicators					
Earning per share (sen)	10.53	4.38	4.65	12.92	18.53
Gearing ratio (%)	7.81	8.05	8.35	7.56	12.39
Net assets per share (RM)	2.03	2.06	1.43	1.56	1.74
Tax exempt dividend per share (sen)	3.00	–	–	–	3.00
Share price as at the financial year end (RM)	1.18	1.23	1.03	1.00	1.58
Price earning (PE) ratio as at financial year end (times)	11.21	28.08	22.15	7.74	8.53



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Kobay Technology Bhd. (“Kobay”) is an investment holding company with subsidiaries operating in Malaysia. The Group’s operations are categorized into two major divisions, namely Manufacturing Division and Property Development Division. Other than these two major divisions, there are other small operations which are mainly investment nature.

(A) Manufacturing Division

Manufacturing Division is the main revenue and profit contributor of Kobay Group, with business involving in provision of manufacturing and engineering products and solutions for semiconductor, electronics, aerospace, oil and gas and other industries.

In FY2019, the Manufacturing Division contributed approximately 76.5% of the Group’s revenue. This division comprises of the following business units :

- (i) Precision Components and Mechatronic
- (ii) Precision Tooling and Equipment
- (iii) Oil & Gas Subsea Fabrication

Precision Components and Mechatronic business units are the main contributors of the group’s results. These business units delivered RM12.7 million of profit after tax for FY2019.

Precision Components & Mechatronic

Precision Components and Mechatronic business units engage in high precision engineering manufacturing processes, specialize in CNC machining, sheet metal stamping, surface treatments and modular assembly. These business units provide one-stop engineering solutions not only to multinational corporations operating in Malaysia, but also to customers in Europe, North American and Asia Pacific of different industries segmentation such as semiconductor, electronic, aerospace, medical and life science.

The Precision Component’s products cover a very broad range and high mix in nature. To name a few, these include aluminium housings, stiffener, manifold sub-assembly, plate tower, spools and aerospace precision components that are used in the aircraft application such as avionics system, engine sensor, braking system and pressure valve. The aerospace components are manufactured and supplied to various Tier 1 suppliers for assembling into their engineering products which are supplied to end customers such as Boeing and Airbus.

Precision Components and Mechatronic business units are currently operating from factories located in Bayan Lepas and Perai, Penang with total built up area of approximately 245,000 square feet. The production floor will be further increased by approximately 88,000 square feet upon completion renovation work of a newly acquired factory in Perai by the 4th quarter of 2019. The new factory is mainly to cater for the expansion of aerospace components business.

The Precision Components business units are equipped with high performance CNC milling machines of 3-axis to 5 axis capability and CNC turning of auto lathe to “turn and mill” to cater for complex and wide range products of up to 1.6 meter in length. For CNC turning, the segment’s machines are able to produce products in the range of diameter size 20mm to 250mm. Currently, these business units have more than 90 units of CNC turning and milling machines which are able to handle different type of precision machining jobs for various industries.

The Mechatronic business unit is well established in precision metal stamping and sheet metal parts fabrication, specializing in instrumentation, box build, modular assembly, and others. This business unit is equipped with high tonnage power stamping presses, turret punches, laser cut machines and etc.

The Precision Components and Mechatronic business units have inhouse anodizing capabilities covering clear anodizing, hard anodizing, PTFE anodizing and various type of colour anodizing. To improve product quality and preservation of environment, surface treatment process is equipped with clean room 10k standard to reduce particulate contamination and environmental control.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATIONS (CONT'D)

(A) Manufacturing Division (cont'd)

Precision Components & Mechatronic (cont'd)

To meet the stringent quality requirements of multinational customers mainly from semiconductors, electronics and aerospace industries, Precision Components and Mechatronic business units have obtained various recognized quality accreditations such as ISO9001, AS9100 (for aerospace products) as well as NADCAP (National Aerospace and Defense Contractors Accreditation Program) which provide them the capability and competitive advantages to fulfil the requirements of multinational corporations in semiconductor and aerospace industry. Besides, the material used are RoHS (Restriction of Hazardous Substance) compliance and aligned with international standards.

As the business units are dealing with high precision engineering that requires high technical level of skilled workers, the management continuously put in efforts in hiring local and skilled production machinists as they are paramount to ensure capacity in full swing. The lack of skilled workers in local market is a significant operations risk that the management need to overcome. The business units will continue to engage in talent recruitment and on the job training program 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 deploy dedicated team to review and ensure compliance with customers' stringent requirements without any tolerance.

Due to high export composition, the Precision Components and Mechatronic business units are exposed to foreign currency risk as their sales proceed are substantially denominated in USD. For FY2019, the Group's exposure in USD accounted for about 39% of the Group revenue. Revenue and profit margin generated from export sales would be impacted when Ringgit is fluctuated significantly against USD. Apart from natural hedge against imports to cushion the volatility in currency exchange rate, the business units practice foreign currency hedging for their sales proceeds in USD.

Precision Tooling & Equipment

The Group's Tooling & Equipment business units are operating in a matured industry that serving mainly the semiconductor industry.

The Precision Tooling business unit supply customized precision tooling, trim and form die set and precision mould to its multinational semiconductor customers operating in the northern region of Malaysia.

The Equipment business unit is one of the leading designer and manufacturer of semiconductor test handling equipment. Its products and capabilities include test head manipulators, docking system and test interfacing solutions for testing process of semiconductor.

This segment achieved a lower result this year, mainly due to lower demand for the Precision Tooling business. It faces fierce competition at its home ground which had been a mature market for the precision tooling business. Besides the market competition risk, these business units rely heavily on a narrow customers base of the semiconductor industry. To mitigate the risk, the business units are striving on products diversification as its immediate plan.

Oil & Gas Subsea Fabrication

The Oil & Gas Subsea Fabrication business unit mainly involves in manufacturing of heavy metal works and structures, modules and parts for oil and gas subsea extraction activities. The manufacturing activities of the business unit is operated at a 4.22 hectares plant in Pontian, Johor. Its products include structure, modules and parts for subsea oil and gas production system such as subsea umbilical, risers and "Christmas tree" components that provide flow control on a producing oil & gas well.

In FY2019, this business unit has shown a significant improvement in its business performance. It had successfully penetrated a few international oil and gas EPCI (Engineering, Procurement, Construction and Installation) providers and been appointed as preferred vendors for these oil and gas majors.

As the business relies heavily on subsea segment of the oil and gas industry, it will be impacted significantly 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(B) **Property Development Division**

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

- Langkawi, Kedah – 6.3 acres (under development)
- Tanjung Bungah, Penang – 1.5 acres
- Sungai Nibong, Penang – 2.0 acres

Below is the ongoing development projects currently undertaken by the Property Development Division:

Lavanya Residences, Langkawi

This development features a luxury serviced residences build on a 6.3 acres freehold land that strategically located at the tourist hotspot area of Pantai Tengah, Langkawi. The development project, Lavanya Residences, consists of a stylish cluster of 37 units of serviced villas in Phase 1, and 90 units serviced apartments and 133 units serviced studio suites in Phase 2. The gross development value for the serviced villas is RM76.0 million whereas the serviced apartment & studio is estimated to be RM244.0 million.

The Phase 1 serviced villas had been completed and obtained certificate of completion and compliance in July 2019. As of 30 June 2019, Phase 1 recorded cumulative sales of RM52.0 million and cumulative revenue of RM49.0 million, on the back of gross development value of RM76.0 million. The remaining completed units are expected to contribute positively to FY2020's profit, as well as cashflow for the Phase 2 project development.

For the Phase 2 serviced apartment and studio, the management intends to develop the project into a luxury 5-star hotel model and manage the hotel for the buyers who own the property. The move is to mitigate the market risk on the current over-supply of residential property market, with the Phase 2 project tailored made to "sale and lease-back" concept which mainly targeting investors from domestic that aim for higher returns from investment in hotel operations and foreign investors especially those participate in Malaysia My Second Home project (MM2H) that look for short stay in their invested property. With the increasing tourists arrival to Langkawi which create higher demand for hotel rooms, coupled with the upward trend in MM2H participants, the strategy is aimed to cushion the effect of current down turn in property market. The business unit has been working closely with numerous MM2H agents to promote our project to overseas customers, especially Hong Kong and southern China.

Langkawi is one of the hotel markets with the highest average daily rate in the country, with occupancy rates of 75% to 95%. Hotel business is expected to continue performing well with the recent opening of premium luxury brands on the island.

Intense marketing activities will be conducted in overseas to attract foreign buyers that eyeing for MM2H program and local high net worth investors that are looking for better returns from the hotel rental income. Worth to mention that the MM2H program, since its inception in 2002 to 2018, had approved more than 40,000 applications from more than 130 countries, with China accounting for about 30% of all approvals. From an annual average of 1,700 approvals from 2002 to 2011, the number of approved applications increased to an average of 3,200 annually in the past seven years. This segment represents a great opportunity for the Group's Lavanya Residences project in Langkawi.

The management has engaged a renowned hotel management company, Ri-Yaz Hotels & Resorts Group, which has been managing numerous hotels in South East Asia, to design and manage the hotel operations for the project. The project is currently at the ground piling stage and is scheduled to be completed in year 2022.

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 19.5 acres land in Seri Manjung, Perak
- Joint development project on a 5.5 acres land in Bukit Mertajam, Penang

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(B) **Property Development Division (cont'd)**

Future Project Development (cont'd)

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 cautiously manage the commencement of construction works until the confirmed sales reach the desired target. This is to prevent unnecessary project cashflow constrain and over-gearing. However, should situation require and if necessary, the Property Development Division may engage with manageable level of bank borrowing to commence the construction work to show the Group's commitment and confident of its project.

REVIEW OF RESULTS	Revenue			Profit After Taxation		
	2019	2018	+/-	2019	2018	+/-
Division	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
Manufacturing	129.3	140.4	-11.1	17.7	17.5	0.2
Property Development	34.5	12.1	22.4	2.8	-1.3	4.1
Other segments	5.3	4.1	1.2	1.5	0.5	1.0
Consolidation eliminations	0	0	0	-3.0	-3.4	0.4
Total	169.1	156.6	12.5	19.0	13.3	5.7

The Group's revenue grew by 8.0% from RM156.6 million in FY2018 to RM169.1 million in FY2019 with profit after taxation amounted to RM19.0 million, an increase of RM5.7 million as compared to preceding year. The better result was mainly contributed by Property Development Division which delivered a net profit of RM2.8 million compared to its net loss of RM1.3 million in preceding year and a reversal of an impaired receivable amounted to RM1.1 million.

Manufacturing Division

Despite of lower revenue recorded by the Manufacturing Division, it managed to sustain its profit at RM17.7 million which was on par with FY2018.

The Group's Precision Components and Mechatronic segment remained to be the main driver to the Group's performance by contributing RM94.3 million revenue and RM12.7 million of net profit. Compared to preceding year, the revenue and net profit of this segment contracted by 16.3% and 3.2% respectively, mainly due to slowdown in semiconductors business sector. Contraction in semiconductor business had also impacted the Precision Tooling and Equipment segment which saw profit reduction by RM0.8 million. Nevertheless, the Oil & Gas Subsea Fabrication business segment recorded an impressive turnaround rate, rebounded from its loss position of RM1.1 million in last year to net profit of RM2.7 million. With the positive contribution from oil & gas business, the Manufacturing Division was cushioned from the down turn in semiconductor section.

Property Development Division

Property Development turned out to be another key contributor to the Group's revenue and profit growth which delivered net profit of RM2.8 million in FY2019 compared to net loss of RM1.3 million in preceding year. The division's sole ongoing development project, the Lavanya Residences, Langkawi recorded revenue of RM34.5 million in FY2019, with cumulative year to date project revenue of RM49.0 million for its Phase 1 project, on the back of gross development value of RM76.0 million. The remaining completed units with sales revenue of approximately RM27.0 million, are expected to contribute positively to FY2020's profits, as well as cashflow for Phase 2 project.

Other Segments

Other than the favourable performance of the Oil & Gas Fabrication segment and Property Development Division, the recovery of an impaired receivable of RM1.1 million from the previous reported stakeholder defaulted case had further uplifted the Group's performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL POSITION

The Group's financial positions remain healthy with cash and cash equivalents stood at RM36.1 million as at 30 June 2019 as compared to preceding year's RM33.6 million. The net assets per ordinary share attributable to owners of the parent stood at RM1.74 as compared to RM1.56 in preceding year. The Group's borrowing increased from RM12.0 million in FY2018 to RM22.0 million in FY2019 mainly due to acquisition of a new factory plant amounted to RM16.0 million for manufacturing expansion purpose. With the additional borrowing incurred, the Group's gearing ratio remained at manageable level of 12.4%.

CAPITAL EXPENDITURE

The Group incurred RM19.5 million in property, plant and equipment in FY2019. The Group plans to invest an estimated sum of RM10.0 million to RM15.0 million in capital expenditure for the factory renovation and machinery in FY2020 mainly to expand its aerospace components business. With the increase in capacity, the Group is ready to further venture into manufacturing of more sophisticated aerospace components and structure in the near future.

OUTLOOK AND PROSPECT

The impact of the ongoing trade tensions between the US and China and other major economies will continue to be significant and affecting the global economy, as well as the financial performance of our Group in FY2020. A reflection of the recent development suggests that trade tension will continue, possibly into the medium to long term. Bank Negara Malaysia in its Second Quarter 2019 Bulletin reported that the global economy is expected to grow at a moderate pace with risks to the outlook remain tilted to the downside, emanating from a potential escalation of trade disputes, continued uncertainties in Brexit negotiation, and excessive financial market volatility.

The Semiconductor Industry Association ("SIA"), representing U.S. leadership in semiconductor manufacturing, design and research, reported in August 2019 that the year to date worldwide sales of semiconductors during the first half of 2019 were 14.5% lower than the same point in 2018. SIA in September 2019 announced that worldwide sales of semiconductors in July 2019 were 15.5% less than July 2018.

The above indicators suggest that global and Malaysia economic outlook for coming year could be challenging, with modest growth expected.

The Group will continue to leverage on its Manufacturing Division, to move up the value chain for more complex and high value-added products, diversifying our export products and markets, and strengthening our labour force by attracting quality talents.

With the downturn in the semiconductors business, the management will ride on the oil & gas and aerospace components business that are on the growing path to cushion off the negative impact of the semiconductor business.

Our Property Development Division is operating in a challenging environment. The management will put full focus on the Group's sole development project in Langkawi to showcase its high-end serviced apartment and studio units that will be operated on 'sale and lease back' concept for 5-star hotel business model.

The management remains cautious that the global economy may expect volatility, given the prevailing external factors such as trade war and other geopolitical risks. Barring any unforeseen circumstances, the Group is cautiously optimistic that the Group would remain profitable for the forthcoming financial year.

DIVIDENDS

In view of an improved financial performance, the Board of Directors recommends a first and final single tier dividend of 3.0 sen for FY2019, to be approved by the shareholders in the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Pursuant to Paragraph 15.25 of Bursa Malaysia Securities Berhad (“Bursa”)’s Listing Requirements and the Malaysian Code of Corporate Governance issue by Securities Commission Malaysia (“MCCG”) in 2017, the Corporate Governance Overview Statement provides an overview of how the application of Principles set out in MCCG is practiced in Kobay Group throughout the financial year ended 30 June 2019. This Statement is to be read together with the CG Report, which is in Bursa’s prescribed format and available for reference at Kobay’s website, www.kobaytech.com and Bursa’s website, www.bursamalaysia.com.

BOARD LEADERSHIP AND EFFECTIVENESS

The Board is entrusted with the role of steward and guardian of the Company in building its long term success and deliver sustainable value to its stakeholders. The Board also has a critical role to provide leadership and championing good governance and ethical practices throughout the Company as well as the Group.

Board Responsibilities

The Board has set out role and responsibilities, code of conduct for individual Director and the Terms of Reference for its Committees in the Board Charter which is published at the Kobay’s website. 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.

Matters which specifically required the entire Board’s approval have been set in the Kobay Board Charter. Please refer to Kobay’s website for more details.

The Board has delegated certain specific responsibilities to its Board Committee which operates within clearly defined terms of reference and report regularly to the Board. Authority for the operational management for Group has been delegated to the Executive Committee and Chief Executive Officer for execution or further delegates to respective senior management for effective running of the day-to-day matters.

Board Roles and Responsibilities

Position	Roles and Responsibilities
Chairman	To chair and conduct meetings as well as corporate governance issue of the Company.
Chief Executive Officer	The Chief Executive Officer plays a vital role in leading the entire group’s business operations towards the Group’s vision and mission. He requires to work in line with the Corporate Direction and Key Performance Indices (“KPI”) set and which to be revised yearly.
Independent Directors	The Independent Non-executive Directors playing a protective roles for the minority shareholders and other stakeholders in the Group. Their effective participation promote a balance to the Board’s decision.
Company Secretaries	The Company Secretaries play an advisory role to the Board and ensuring all corporate governance matters and the Board procedures are in compliance with all applicable laws and regulations. The Directors are updated by the Company Secretaries regularly via quarterly meetings on all changes made to relevant legal and regulatory requirements, corporate governance practices, and area relating to the Directors in discharging their duties and responsibilities.

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.

Each and every Director is able to access directly to the senior management and/or to the advice and services of the Company Secretaries or external independent professionals’ advice for more information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Meetings

There were four (4) Board meetings held in the financial year ended 30 June 2019. Management teams are invited, if required, to attend the Board meetings and to report on the results. Board papers for the Board and its Committee Meetings are furnished to the members of the meeting seven (7) calendar day prior to the meeting.

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's securities and directorship in other listed entities, financial information, Committees' report, risk management report, external auditor feedback and corporate developments.

Board Committees

The Board has established the following Committees to which it delegates certain responsibilities. Membership and performance of these Committees are reviewed annually. All the minutes of these Committees are being recorded by the Company Secretaries and made available for all Directors on a timely basis.

Committee	Scope of Responsibilities
Executive Committee (EXCO)	To assist the Board in formulate, review, approve and adopt the Group's strategic plans and annual budget.
Remuneration Committee (RC)	To assist the Board to review the performance of each and every individual Director as well as the Board Committee yearly and recommend the remuneration to be paid to each Executive Director and fee paid to Non-executive Director.
Nominating Committee (NC)	To assist the Board in reviewing and recommending the election of each and every Director.
Audit and Risk Management Committee (ARMC)	To deal in the functions of auditing, financial statements, risk management, related party transactions and any other topics as may be agreed to by itself and the Board.

Note: The terms of reference for each Committee are made available at Kobay's website.

Board and its Committee Meeting Attendance

Name of Members	Board Meeting	ARMC Meeting	NC Meeting	RC Meeting
Dr. Mohamad Zabdi Bin Zamrod	4/4	4/4	1/1	1/1
Dato' Seri Koay Hean Eng	4/4	–	–	1/1
Mr. Koay Cheng Hock @ Koay Ah Bah	4/4	4/4	1/1	–
Mr. Koay Cheng Lye	4/4	–	–	–
Mr. Lim Swee Chuan	4/4	–	–	–
Mr. Khaw Eng Peng	4/4	4/4	1/1	1/1

Note: the EXCO meeting is conducted weekly to resolve the day-to-day operational related matters for which the records are kept by the Company Secretaries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Main Activities of the Board and/or its Executive Committee during the Financial Year

During the financial year ended 30 June 2019, main activities carried out by the Board and/or its Executive Committee includes:

Main Activities

- Review the Directors' performance for the financial year 2018 individually and the Board/its Committee as a whole.
- Review the performance of the external auditors, Messrs. Crowe Malaysia.
- Review the Company and Group's quarterly results for the financial year 2018, Q1, Q2 and Q3 of financial year 2019 for submission to Bursa.
- Review and approve the Directors' Report and Audited Accounts for the financial year ended 30 June 2018.
- Receive the Risk Management Reports reported by the CFO and CEO quarterly and yearly for the financial year 2018/9.
- Receive, review and approve the semi-annual return for the submission to Bursa.
- Review and approve the Group Strategy Plan and KPI quarterly by EXCO.
- Review and approve the Group's yearly budget.
- Receive updates on the Recurrent Related Party Transactions by the Group.
- Review and report any major litigation, claims and/or issues with substantial financial impact (if any).
- Review and approve any changes in the terms of reference for any Board Committees.
- Review and approve for implementation of any policies and procedures of the Group.
- Review the re-appointment and remuneration of external auditors, Crowe Malaysia.
- Review and approve the Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control for FY2018.
- Review and approve Annual Report 2018.
- Re-affirm the board resolution passed every quarter.
- Review the attendance of the Board members and its Committee every quarter.
- Review and approve the Share Buy-Back Statement and Circular to Shareholders in relation to Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.
- Review the term of office and assess the retirement of Directors by rotation, the retainment of Directors and eligibility for re-election or retainment.
- Review and approve the Auditors' audit plan and note on the audit review memorandum for financial year.
- Review on the succession planning and gender diversity of the Group.
- Review on the Investors' communication effectiveness.
- Review on the Group's information management system periodically.

Board Composition

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. All Directors do discharge their fiduciary duties and responsibilities at all times.

Details of all the Directors and their biographies are provided in pages 9 - 10 of this Annual Report.

Commitment

In facilitating the members of the Board or its Committee, the Board are provided with the proposed date for the subsequent 2 meetings whereas the EXCO and senior management are provided with 18 months of meeting calendar in order to ease their planning ahead. Any special meeting required, it will be arranged by the Company Secretaries or in the event if the decision required by way of Directors Written Resolution, the Company Secretaries will notify the Board via emails, phone messages and/or social platform like whatsapp or wechat and signed Directors Written Resolution will be filed in the statutory record and noted by the Directors in the forthcoming Board meeting.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Appointment and Re-election of Directors

Pursuant to the Company's Constitution ("Articles of Association"), one-third (1/3) of the Directors shall retire from office by rotation at each Annual General Meeting ("AGM") and the newly appointed Directors are subject to re-election at the next AGM to be held subsequent to their appointments. 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.

Pursuant to the Companies Act 2016, there is no age limit for the Director except they have to meet all the relevant codes or regulations governs the Independent Directors and justification for retention based on performance and contribution.

The appointment and re-election of Board members are vital process as it determines the quality of the Board's capability and competency. The Nominating Committee is vested with the responsibility by the Board to review the candidates for new appointment as well as retired candidates whom eligible for re-election.

For candidates for new appointment, the Nominating Committee will first scrutinize and select those candidates who can fill the skill/gap of the current Board before conducting an assessment on the capability and interact with the selected candidates before convening a meeting to finalize the selection and proposed for the Board's approval on the appointment.

Evaluating the Board

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. However, individual Director is required to declare his/her independency prior to his/her appointment/re-appointment as Independent Director of the Company.

Yearly, the Nominating Committee will also evaluate and assess the performance of each Director or the Board and its Committees on the effectiveness. Notices were sent to those Directors whom due for retirement on their reply whether to opt for re-election during the forthcoming 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 Directors whom retired and eligible for re-election.

The Nominating Committee has on 22 August 2019 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 21 November 2019.

During the financial year 2019, the Nominating Committee has evaluated and assessed the performance of the following Directors who are subject to re-election/re-appointment in the forthcoming AGM and has recommended for Board's approval via its meeting held on 22 August 2019. The said Directors' profiles are set out on page 9 - 10 of this Annual Report.

Name of Director	Re-election/Re-appointment	Constitution (Articles of Association)/MCCG
Dr. Mohamad Zabdi Bin Zamrod	Independent and Non-executive Chairman	MCCG
Mr. Khaw Eng Peng	Senior Independent and Non-executive Director	MCCG
Dato' Seri Koay Hean Eng	Chief Executive Officer	Article 95
Mr. Lim Swee Chuan	Chief Financial Officer	Article 95

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Evaluating the Board (cont'd)

The Board noted the tenure of Independent Director should not exceed cumulative term of 9 years whereby members' approval is required. The Board is mindful of Dr. Mohamad Zabdi Bin Zamrod and Mr. Khaw Eng Peng who have served for more than 12 years and 9 years term respectively 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's 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 and Mr. Khaw Eng Peng, who have served more than 12 years and 9 years term respectively, have provided their declaration of independency based on the Listing Requirements and the Nominating Committee has assessed and concluded they would be able to demonstrate and exercise independent judgment and act in the best interest of the Company. The Independent and Non-executive Directors have undertaken to notify the Board should their independency is affected due to change or development of interest or relationship in period from their re-appointments to the next AGM. The Board will propose for the shareholders' approval in the forthcoming AGM to seek the shareholders' approval on their retainment 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 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 coming years.

Gender diversity amongst the management position and Board of Directors of the Company for the financial year ended 30 June 2019 is as follow:-

Category	Total Headcount	Employees Headcount for		% of Employee for	
		Male	Female	Male	Female
Senior Management	18	13	5	72	28
Chief Executive #	5	5	0	100	0
Board of Directors	6	6	0	100	0

Three out of five of the Chief Executives (i.e. Chief Executive Officer, Chief Administrative Officer, Chief Financial Officer, Chief Operating Officer) are also members of Board of Directors

Board's Training and Development

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 Program and complied with the Listing Requirements of Bursa.

The Nominating Committee has formalized an orientation program, 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 August 2018	Best Practicing Guide for Annual General Meeting

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board's Training and Development (cont'd)

The followings are additional courses and training programs attended by the Directors for the financial year ended 30 June 2019.

Directors	Training Program Attended	Date
Lim Swee Chuan	Solution Through Legal Clarity by LHAG	5 July 2018
	MySST Mastering Sales & Services Tax 2.0	28 August 2018
	2019 Budget Seminar by MIA	6 December 2018
	Financial Risk Management For Public Listed Companies by MIA	26 June 2019
Dr. Mohamad Zabdi Bin Zamrod	2019 Budget Tax Conference by Crowe Navigating the New Tax Landscape	15 November 2018
Koay Cheng Hock	2019 Budget Tax Conference by Crowe Navigating the New Tax Landscape	15 November 2018
Khaw Eng Peng	Briefing on SST by Royal Malaysian Customs Department	23 November 2018
	Webinar on various topics by ACCA	December 2018
	Talk on Special Voluntary Disclosure Programme by MIA	30 January 2019
	Unclaimed Money Act 1965 by MIA	2 April 2019

Remuneration

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

The current performance evaluation interval for employees of which inclusive Executive Directors as ruled and guided by the Group Human Resource Policy and Procedures is half-yearly. The Executive Directors' performance evaluation will be reviewed by the Committee yearly on their fiducially duties as Directors as well as tracked by KPI 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 24 May 2018 proposed Directors' fee payable for the members' approval in the AGM held on 22 November 2018. The Committee has also vide the meeting on 16 May 2019 proposed Directors' fee payable for the financial year ended 30 June 2019 for the forthcoming AGM to be held on 21 November 2019.

A revised Remuneration Committee Policy has been adopted by the Board of Directors on 16 May 2019 and it has been updated in Kobay website.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Directors' Remuneration (cont'd)

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 2019 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 2019, a total of RM6,600 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 2019 is disclosed below :-

	Executive Directors (RM)	Non-executive Directors (RM)
Fees	–	22,500
Salary and other emoluments	974,951	36,443
Bonus	206,400	–
Allowance & Statutory Contributions	96,304	8,490

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	–	–
RM300,001 to RM350,000	–	–
RM350,001 to RM400,000	1	–
RM400,001 to RM450,000	1	–
RM450,001 to RM500,000	1	–

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

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Audit Committee (cont'd)

The ARMC's composition and its report are set out in page 39 - 41 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 statement is set out on page 41 of this Annual Report.

In accordance with the External Auditors Policy (which is available at Kobay's website), 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 22 August 2019 ARMC meeting, confirmed their independency for the audit engagement provided for the financial year ended 30 June 2019.

Save for the audit services and review of Statement on Risk Management and Internal Control provided during the financial year ended 30 June 2019, 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 has indicated their intention to continue their service and the ARMC has reviewed and recommended their re-appointment to be included into agenda for shareholders' approval in the forthcoming AGM.

Risk Management And Internal Control Framework

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 documented down the risk tolerance level, risk management accountability bodies and monitoring procedures of the Group's risk management.

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 KPI and to ensure their operations are operating to the management expectation.

The Board has established an Executive Committee ("EXCO") which comprises of five (5) members, three (3) Executive Directors and two (2) 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 at Kobay's website. The EXCO reviews 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 36 - 38 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Internal Audit (cont'd)

Summary of the activities of the Internal Audit Department is set out in the Audit and Risk Management Committee Report on page 40 - 41 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board views communication as one of the values in the Company's/Group's culture. Communication is 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.

Quarterly, the Company released its quarterly financial results to keep the shareholders informed about the performance and operations of the Group on a timely basis after approved by the Board via Bursa Link pursuant to the Bursa's 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.

The Company's Corporate Disclosure Guide has been established and the said policy is accessible at Kobay's website. 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, depending on the authority level required for approval and it shall be only released by the Chief Executive Officer.

Shareholders and stakeholders can also access through the Company's website 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 all times, shareholders may contact the Company Secretaries via office contact number or email to cosec@kobaytech.com for information.

Conduct of General Meetings

Every General Meeting of the Company represents a primary platform between the Shareholders, the Board and the Management Team to interact with shareholders in person besides written communication.

The Company has always served requisite notice period for meetings as prescribed by the Listing Requirements. Special businesses in the Notice of AGM will be furnished with explanatory notes to Shareholders on the effect of the proposed resolution arising for each item.

At the AGM, the Shareholders do actively participate in discussing the resolutions proposed or the Company's operations in general. The Board, the Management Team and the Company's external auditors are present to answer questions raised and provide clarification as required by Shareholders.

In compliance with the MCGG, all resolutions set out in the Notice of AGM are put forward to poll voting and the re-appointment of Independent Director whom served more than 12 years is voted in two (2) tier basis in accordance with the MCGG.

Announcement of the poll results for each resolution during the meeting is made available to the public via Bursa Link.

Compliance Statement by the Board of Directors on Corporate Governance Statement

The Board has reviewed and approved the Corporate Government Overview Statement on 15 October 2019. The Board is pleased to report that the Board is satisfied that to the best of its knowledge, the Company has fulfilled its obligations in accordance with all the applicable laws, regulations, internal and external guidelines on corporate governance throughout the financial year ended 30 June 2019.

SUSTAINABILITY STATEMENT

Kobay Group (“Group”) acknowledges the importance of organization sustainability and aims to balance both financial stability and its social responsibility in attaining sustainable growth. The Board of Directors has undertaken the task to attain the organization sustainability vide its effort in achieving business excellence and value creation for the Group apart from its financial performance.

Our Group involves in (i) manufacturing of high precision engineering components and parts, semiconductor assembly and testing equipment, fabrication of structure and parts for oil and gas industry, sheet metal and surface treatment; and (ii) property development.

We recognize the impact of our business decision onto the surrounding environment and communities where our business is operated and committed to integrate Economic, Environmental and Social issues into our business operations while attaining continuous growth and profits in a safe and sustainable environment.

The report on our Group’s initiatives in dealing with sustainability issues covered all major subsidiary companies for the financial year ended 30 June 2019 and is prepared with guidance of Bursa Malaysia Securities Berhad’s Sustainability Reporting Guide. We take note of the United Nation’s 17 Sustainable Development Goals as the foundation for Sustainable Development targeted to be achieved in year 2030.

To sustain our quest in achieving the Group’s values and goals, we have developed our Vision and Mission Statement:-

Our Vision

We aim to be the market leader and pre-eminent supplier to customers worldwide, to pursue excellence in all aspects of our business to serve our customers in the global market.

Our Mission

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.

Sustainability Governance Structure

As delegated by the Board of Directors, the Group’s sustainability is led by the Executive Committee (“EXCO”) of the Board that oversee the integration of sustainability initiatives of the Group.

The EXCO initiates yearly strategic planning process for the Group prior to new financial year. Heading by Chief Executive Officer, the EXCO articulates the sustainability practices across the management and operation business units. Based on brain-storming sessions conducted with senior management to evaluate current business environment, competition landscape and sustainability issues covering economic, environmental and social, the Chief Executive Officer map out the Group’s Directions going forward and submit to EXCO for buy-off.

With the Group Directions, the individual business units conduct SWOT analysis and risk assessment, and develop the strategic plan on its business direction & strategy, focus and expectations. The strategic plan covered details of planned activities, goal set, annual budget and Key Performance Indices (“KPI”) in guiding, measuring and monitoring performances. Meetings were conducted between EXCO, Strategic Business Group Head and Business Units’ Head to discuss, review and buy-off the annual strategic plans, goals and KPI prior to implementation.

EXCO then monitors the performance of individual business units within the Group against its approved KPI monthly and manage any risk exposure and ensure financial stability. On quarterly basis, the Head of business units report on the progress of strategic plan in Operations Review Meeting with the presence of EXCO and Strategic Business Group Head.

In order for us to achieve our Vision and Mission, we have entrenched sustainability into Kobay Culture, Policies and Procedures and management systems for continuously measure and track our KPI and goals. Periodic review are conducted onto our policies and systems and when the need arises to ensure consistency and adapt to the ever changing business environment.

SUSTAINABILITY STATEMENT (CONT'D)

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

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

- **Agility**
- **Can-Do Attitude**
- **Teamwork**
- **Initiative and Accountability**
- **Ownership and Pride**
- **Never Stop Learning**
- **Speed of Response**

Documentations on the laid down Policies and Procedures covering risk management, financial, human resources and operation procedures are available for reference by Group's employees at Company's EDMS e-portal. As for public documents such as corporate governance policies and Board of Directors' sub-committees' term of reference, they are made available at Kobay website.

Stakeholders Engagement

Kobay values our stakeholders of their contribution and influences which will have direct impact onto the business operations of the Group. It is crucial to articulate the shared value through our stakeholder engagement.

We have identified the following stakeholders that we are engaged with and the table below illustrates the issues/concern of respective stakeholders, the sustainability matters and the forms of engagement we use in dealing with the various issues/concerns.

Stakeholders	Issues/Concern	Sustainability Matters	Forms of Engagement
Customers	<ul style="list-style-type: none"> • Pricing • Product quality & safety • On time delivery • Design and features • Resources efficiency • After sales services 	<ul style="list-style-type: none"> • Customers satisfaction • Innovation 	<ul style="list-style-type: none"> • Market survey • Launches/Events • Customers visits and engagement by sales personnel • Promotions
Employees	<ul style="list-style-type: none"> • Corporate direction • Job security and career advancement • Remuneration & benefits • Work-life balance • Workplace health & safety • Labour & human rights 	<ul style="list-style-type: none"> • Employee welfare • Training and development • Occupation health & safety • Talent retention 	<ul style="list-style-type: none"> • Periodic meeting at all levels • Whistleblowing policy • Job description • Training and development Program • Internal policies and procedures • Employees portal
Investors	<ul style="list-style-type: none"> • Growth plans • Market diversification • Risk management • Corporate governance • Sustainable performance 	<ul style="list-style-type: none"> • Ethic & integrity • Transparency • Innovation • Artificial intelligence • Green design and energy 	<ul style="list-style-type: none"> • Shareholders meeting • Announcement via Bursa Malaysia • Investors and analysts briefing • Website enquiry

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholders Engagement (cont'd)

Stakeholders	Issues/Concern	Sustainability Matters	Forms of Engagement
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> • Compliance • Securities Issues • Waste management • Migrant workers 	<ul style="list-style-type: none"> • Compliance 	<ul style="list-style-type: none"> • Inspection by local authorities • Formal forum or meeting with respective authorities • Press release • Workshops or briefing
Vendors/ Suppliers	<ul style="list-style-type: none"> • Legal compliance • Payment schedule • Pricing • Product quality and supply commitment • On time delivery 	<ul style="list-style-type: none"> • Vendor/Supplier development 	<ul style="list-style-type: none"> • Vendor/Supplier dialogue • Negotiation on pricing and contract • Supplier audit and evaluation
Non-Governmental Organization	<ul style="list-style-type: none"> • Environmental and social issues in relates to development 	<ul style="list-style-type: none"> • Community development 	<ul style="list-style-type: none"> • Donation & financial aid • Contribution to environment and social enhancement • Sustainability related programs

Material Sustainability Matters

On the Economic, Environmental and Social matters that impacting our business operations and the stakeholders that we are engaged with, the Group views the following areas are material sustainability matters that are crucial to our sustainability in defending today and creating tomorrow:-

Economic

- Shareholders Wealth
- Ethics and Integrity
- Quality Products & Services

Environment

- Waste Management
- Occupational Safety and Health, Emission

Social

- Conducive Working Environment
- Talent Management
- Diverse Workforce
- Employee Benefits
- Corporate Social Responsibility

SUSTAINABILITY STATEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Economic

Shareholders Wealth

The Group is strive to generate profitable gain for our shareholders while building and growing our businesses and contributing to the local economy.

Our Results

MARKET CAPITALIZATION	OUR REVENUE (million)	OUR NET PROFIT (million)
@ 30 June 2018: RM104 million	@ 30 June 2018 – RM156.61	@ 30 June 2018 – RM13.18
@ 30 June 2019: RM161 million	@ 30 June 2019 – RM169.15	@ 30 June 2019 – RM18.92
OUR EARNING/SHARE		OUR SHARE PRICE **
@ 30 June 2018 - 12.92 sen		@ 30 June 2018 – RM1.00
@ 30 June 2019 - 18.53 sen		@ 30 June 2019 – RM1.58

(**Source: www.klsescreener.com)

Ethics and Integrity

We acknowledge the importance of good corporate governance practices and the provisions under the Whistleblower Protection Act 2010. The Group has formalized a Code of Business Conduct Policy to provide a guidance of the standard of behavior where all the employees (inclusive of the Company Directors) are expected to behave and conduct when performing their duties. All employees shall always observe and ensure compliance with all applicable laws and regulations to which they are bound to observe whenever they are discharging of their duties. The core business conduct covers on topics of conflict of interest, gifts and other gratuities, integrity of company assets and information, insider trading, misconduct, cultivate conducive working environment and compliance to the laws and regulations.

There is also a Whistle Blowing Policy which provides and facilitates a mechanism on how employees dealt with for reporting of suspicious or alleged misconduct, wrongdoings, corruption, fraud, waste, sexual harassment, discrimination and/or abuse in utilizing the resources of the Group and the assurance provisions for confidentiality and protection.

The detailed contents of the Code of Business Conduct Policy and Whistle Blowing Policy are available at Kobay website.

Quality Products & Services

We strive to continuously improve the effectiveness of our quality management system and maintain the quality of our products that we supplied to our customers. With this in mind, the Group's business units are accredited with the following management system international standards:-

- ISO 9001 : 2015,
- AS 9100 : D,
- Nadcap – Chemical Processing, and
- Nadcap – Aerospace Quality System (AC7004)

At the same time, the Group is committed to deliver our end products on a timely manner to our customers. We have set On Time Delivery Rate as part of the internal KPI to monitor the delivery to customers in business unit's monthly management reporting. We closely monitored the KPI to continuously improve our delivery commitment to customers.

To reduce the harmful effects of dangerous substances to people and the environment, we use ROHS (Restriction of Hazardous Substances) compliance materials in production processes to manufacture products to customers.

SUSTAINABILITY STATEMENT (CONT'D)

Environment

Waste Management

The Group supports green environment and is committed to continuously manage the impact of its operations in minimizing environmental pollution. All waste management systems of the Manufacturing Division are approved by relevant authority and continuously review and upgrade to ensure compliance.

The Group's Manufacturing Division assigned licensed operator to dispose the recyclable and non-recyclable wastes from operations to ensure no hazardous cause to the environment. The vendor is licensed by Jabatan Alam Sekitar to handle both hazardous and non-hazardous waste and has full recovery license for SW422/417/410/307/204 wastes. The licensed vendor has the specialty to recycle industrial waste into raw material to other industries and able to recover precious metals and its waste management strategy is driven by the 4Rs concept (Reduce, Reuse, Recycle & Recover).

For financial year ended 30 June 2019, the scheduled wastes disposal of the Group's Manufacturing Division was as follow :-

	Metric Tonne
SW422 (metal chips contaminated with coolant)	264.00
SW417 (waste of inks. paints, pigments)	0.03
SW410 (waste of contaminated rags and filters)	0.25
SW307 (spent mineral oil-water emulsion)	12.07
SW204 (waste of electroless nickel sludge)	0.39

The disposals were made with submission of Consignment Note for Scheduled Waste to Jabatan Alam Sekitar. We will monitor the waste disposal and find ways to improve our production process to reduce waste that are harmful to the environment.

For the Property Development Division, the Group is fully aware the impact of construction activities towards the environment and surrounding areas. For our Langkawi project, Environment Impact Assessment is undertaken during the planning stage to identify environment threats and opportunities upfront, covering soil erosion, water quality, air quality, noise as well as other sustainable resources. Significant findings of the Environmental Impact Assessment are presented to the management for their deliberation and decisions. In the planning and development stage of our project, the planner and consultant take into consideration the risk on environment and surrounding areas to reduce their impact during construction work and adhere to Department of Environment guidelines.

We takes precaution to ensure the environment of the project will not be affected and only operate with license of the relevant authorities obtained prior to commencement of the project. We strive to use energy saving product into our building design as well as open space with greeneries. In our award of contracts to the contractors, there are clauses stipulated the need to comply with Malaysia's environmental, safety & health at work and other required legislations. In day-to-day operations, in the regular review sessions with contractors and consultants, besides reviewing work progress, we also monitor environmental & health related risks and work safety issues at construction sites and ensure the contractors adhered to the best safety & health management practice throughout the construction period. Any issues brought up are discussed with the intention of finding resolutions.

In the office day-to-day operations, we encourage to use 3Rs, i.e. Reuse, Recycle and Reproduce. Each operations is working towards converting usage of halogen bulb to LED bulb for energy saving. It is also the office practices not to waste paper whereby the Company is continuously reviewing the possibility to convert to paperless environment via computerization for our operation system. The state where most of the business units are operating has implemented the initiatives to segregate all the rubbishes for a greener and cleaner Penang.

Occupational Safety and Health, Emission

As our business is involve in dealing with machining processes and provision of surface treatment services, for the employees' occupational safety and health, a Chemical Health Risk Assessment was conducted in 2016 under Occupational Safety and Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000. Under the Regulation, employer must carry out the assessment every five years.

The assessment was conducted by an approved consultant to identify, evaluate and control any health risk associated with work activities involving the use of chemicals. The report on proposals for appropriate control measure, induction of training of employees, air contaminant monitoring and health surveillance activities that may be required in order to protect the health of employees at the work place was presented to Safety and Health Committee foconr adoption and submitted to Department of Occupational Safety and Health, Malaysia.

SUSTAINABILITY STATEMENT (CONT'D)

Environment (cont'd)

Occupational Safety and Health, Emission (cont'd)

The environmental, occupational safety and health regulations that we need to be complied with are as follows:-

- Malaysian Environmental Quality (Clean Air) Regulations 2014,
- Factories and Machineries (Noise Exposure) Regulation 1989, and
- Occupational Safety and Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000.

We have conducted the report/test as below in the financial year to comply with the regulations requirements:-

Month	Test/Report
Monthly	Industrial Effluent Discharge Monitoring Report submitted to Jabatan Alam Sekitar with certificate of analysis by certified laboratory of chemical test on treated water discharged from waste water treatment plant covering pH, cadmium, chrome, cyanide and suspended solids.
April 2019	Audiometric Test conducted under DOSH registered mobile unit for all employees exposed to noise level at or above the action level under Factories and Machineries (Noise Exposure) Regulation 1989.
December 2018	Emission Levels Test from chimney for compliance with Malaysian Environmental Quality (Clean Air) Regulations 2014 on sulphuric acid, sulphur trioxide, oxides of nitrogen, hydrogen sulphide, hydrogen chloride, chlorine, hydrogen fluoride and fluorine were within the requirement of the Regulation.

The test results verified that the discharge was within the parameters allowed under the respective regulations.

In our oil & gas subsea fabrication business unit involving in heavy industry, other than Audiometric Test for noise exposure, there was Health Surveillance Program for chemical exposure consisting medical check-up, spirometry test, visual & hearing assessment conducted for welding and coating workers. Besides, to enforce on employees' health and safety rules, training is given for every new worker during induction program covering company's health, safety & environment policy, evacuation route, handling of working equipment, personal protective equipment, handling of chemical and welding & grinding safety by the safety officer.

Social

Employees are one of the key stakeholders and the Group values employees as company assets and consistently reviewing the workplace environment, employee training opportunities, diversity and equality to retain talents within the organization.

We have Human Resource Policies and Procedures in place and carried out regular 5S exercise to ensure all operating companies within the Group are complied with labour standard and promote a safer and healthier working environment. Half yearly team building events are held with participant of employees from various business units to provide insight on business review, 5S assessment update, update changes in Group's policies and procedures and group activities for interaction among fellow employees.

Conducive Working Environment

For a better working place, the Group encourages employees consistently keeping the working environment clean and tidy. The Group's Manufacturing Division organizes yearly 5S competition amongst subsidiaries to pick the winner for the Kobay 5S Excellence Award. The 5 principles of 5S are 'Sort', 'Set in Order', 'Cleaning', 'Standardize' and 'Discipline'.

At business unit level, 5S Committee has been set up with the Head of Company as chairman to drive the activities in the company. "Gemba" walks are carried out on monthly basis with areas for improvement identified and follow up action on the improvements made. Minutes of meeting are maintained, photos before and after posted on notice board and 5S Audit Checklist Form used to provide a standard criteria in achieving the goals of 5S.

The Manufacturing Division also via "Continuous Innovative Processes" program to encourage employees to propose to the management on ways to save energy, resources and improve efficiencies which can be incorporated into manufacturing process and the winner of the project will be rewarded.

SUSTAINABILITY STATEMENT (CONT'D)

Social (cont'd)

Talent Management

The Group's management values continuous education as the pillar of sustainability. We continuously train, upgrade and develop our people to fullest of their capabilities in order for them to be the best they can be, to cope with the ever-changing and complex business environment. We have embarked on leadership and development program to prepare our management staff for readiness and accelerate their development for next management level and succession planning.

We emphasize on our employees attending in-house and external training programs. New recruits are required to attend Group's new hiring onboarding program where they will be briefed on the Group's Vision, Mission and Values as well as the management systems. In-house training programs are focused on employee awareness of company's human resource, financial policies and procedures and operation standard operating procedures.

As for external trainings, the followings are some of the major training conducted in the financial year:-

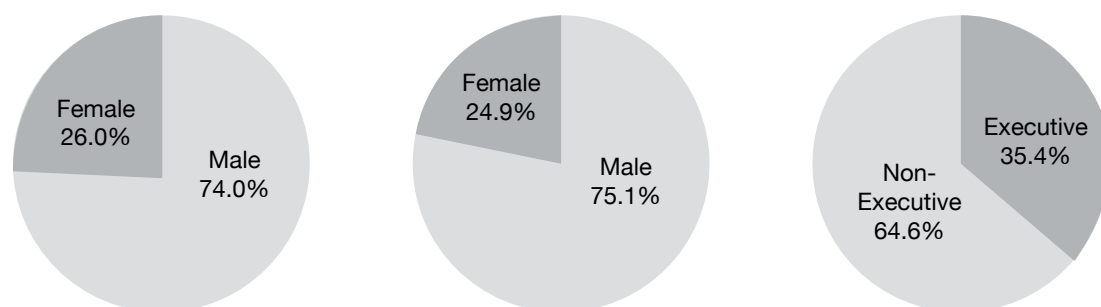
Nature of Training	Training Particulars	No. of Attendees	No. of Hours per Attendee
Management and Leadership Skill	<ul style="list-style-type: none"> Personal Development Leadership Styles & Situational Leadership Communications/People Management Think-On-Your-Feet Managing High Performing Teams Systematic Problem Solving & Decision Making Coaching & Facilitation Techniques Leading & Managing Human Side of Change & Transition Scenario Thinking & Strategic Planning Execution By Dream Catcher Sdn. Bhd.	31 (Managers)	160
Innovation	Introduction to Industry 4.0 for Senior Management By Penang Skill Development Centre	25 (Managers)	8
Health & Safety	Introduction to First Aid & Cardiopulmonary Resuscitation By Persatuan Bulan Sabit Merah Malaysia	20	8
Quality System	AS1300 8-Disciplines Problem Solving By Prima Link Consultancy Sdn. Bhd	22	8
	Understanding & Implementing AS9100D By MIDP Corporate Consultancy PLT	22	16
	AS9100D Internal Auditor Training By MIDP Corporate Consultancy PLT	22	16
Technology	Solidworks Mechanical Design Automation Software By Cad Vision Sdn. Bhd.	8	64

SUSTAINABILITY STATEMENT (CONT'D)

Social (cont'd)

Diverse Workforce

The Group leverage on diversified range of individuals from different age group, culture, ethnic, gender and background who works together under Kobay Group of Companies. The gender diversification of our employees with total workforce of 751 categorized by gender, nationality and job level as at 30 June 2019 is shown in the chart below:-



(Note: Executive - Executive level & above; Non-Executive – Officer level & below)

Employee Benefits

To attract and retain talent staff, the Group is continuously improving the employment benefits provided to employees. In 2019, the Group has revised the employee's compensation and benefits scheme to benchmark with market rate or better than the industry standard. Among the notable changes are -

- Revision upwards of salary range for manager and non-manager positions
- Starting basic salary for fresh graduate and intern
- Performance linked sales commission
- Key personnel profit sharing scheme
- Kobay performance excellence award
- Flexible benefits plan
- Work from home
- Reduce work hours for office staff
- Flexible work hours

With these attractive employee benefits, they will provide a self-motivated working environment and maintaining a talent pool of human resources in sustaining our organizational success.

Corporate Social Responsibility

We keep our effort in supporting the underprivileged community at all times. The Group always believed that nurturing the next generation is the foundation for building a highly educated community and move towards a high income country to reduce poverty. We have consistently participate ourselves in solidify the foundation and we also encourage our employees to participate whenever we have a group base activities.

The notable contribution by our Group in the financial year was donation of RM100,000 to Penang Chinese Town Hall for its charity and education fund to provide assistance to the needy community. As part of corporate social activities, we have held a “Kobay Blood Donor Day” on 29 September 2019 to create awareness and encourage our employees in saving lives and giving back to society.

We are mindful of the sustainability risk and opportunities that the Group are dealing with in our journey to attain our vision and mission. We will strive for a balance of responsible environmental and social considerations while delivering sustainable profitable return to our shareholders and stakeholders at large.

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. This Statement will address the Group’s approach in risk management and internal control, taking note the principles, intended outcome and practices as set out in Malaysian Code on Corporate Governance. The preparation of this Statement is also guided by “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.” endorsed by Bursa Malaysia Securities Berhad. (“Guidelines”)

Risk Management

The Board has formalized and adopted a Risk Management Framework Manual (“Framework”) in 2013 which documented down the approach, commitment, practices, policies and procedures to be applied in the Group on risk management and for communicating to all levels of management. The Framework is developed by reference to guidance as provided by the Guidelines. To achieve the Group’s objectives and goals, in ensuring business sustainability and continuity, the Board is committed to articulate and implement risk management into Group’s culture and day to day activities, with a formalised risk management practices in its 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 by management to identify, made assessment on the likelihood and impact and planned action plans to mitigate the risks. Risk management activities are applied to strategic business units in Kobay Group covering Manufacturing Division and Property Development Division. In the Framework, the Board has provided guidance on methods to identify, analyse, evaluate and treat risks. It also states the acceptable risk tolerance & appetite levels, planning & execution timetable, the managing processes & information flow and responsible bodies to monitor and report on the effectiveness of risk management activities carried out.

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 has determined the Group’s level of risk tolerance and appetite for assessing key business risks faced and documented in the Framework 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 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 status update and risk management activities carried out for those items classified as high risk during strategic planning or on any risk identified during the year and the mitigation actions. ARMC also reviews report presented by Internal Audit Department on annual review carried out in risk management activities covering the adequacy and compliance of policies and procedures as stated in Framework. The results of the reviews are reported in the Board’s meeting.

Management

Executive Committee (“EXCO”) that consists of Executive Directors of the Board and Chief Operating Officers, spearheads the implementation of risk management activities in the Group. EXCO acts as Management Committee of risk management and reports the risk management activities and matters that deemed high risk or critical and the mitigation actions to 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 a sound system of risk management to identify, assess, monitor and manage major risks that may have impacts on achieving Group’s business objectives.

Management (cont’d)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (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 planned and monitored the results of risk management activities, relevant to their areas of responsibility.

Risk Identification, Evaluation and Management

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

To identify and evaluate strategic & operational risks faced by the Group's activities, yearly strategic planning sessions attended by EXCO and operations management are being held before beginning of new calendar year. The Kick-Off meeting for Strategic Planning Financial Year 2020 commenced in December 2018. The Chief Executive Officer and senior management held brain-storming sessions to evaluate current business environment, competition landscape and sustainability issues, to identify key risks faced by Group's businesses and determined the Group's directions going forward.

At business operation level, with the guidance of Group's directions, respective strategic business and functional units' SBG Head performed SWOT (Strengths/ Weaknesses/ Opportunities/ Threats) analysis on operating business environment, industry trends, capabilities, past performances and developed a strategic plan for business direction & strategy, focus and expectations. Based on the strategic plan, SBU Head and line management prepared the individual business unit's strategic plan, covering details of planned activities, goal set, annual budget and Key Performance Indices for guiding, measuring and monitoring performances. Meetings were conducted between EXCO, SBG Head and SBU Head to discuss, review and buy-off the annual strategic plans, goals and Key Performance Indices. EXCO buy-off of Strategic Plan Financial Year 2020 was completed in April 2019.

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 at individual business units by way of questionnaire basis which systematically assess currently known risks, as guided by past records in risk register and any emerging risks foresee.

For managing and monitoring risks, a meeting agenda is set in quarterly held Operations Review Meeting for SBG Heads to report to EXCO on risk issues and current business situations that have a bearing on risk management, their impacts or likely impact to the business units in achieving objectives and strategies. Remedy actions in addressing significant weaknesses and threats identified during strategic planning process were also reported. The progress of risk management activities plan carried out in individual business units were updated by SBU Heads to EXCO in the meeting.

The Chief Executive Officer and Chief Financial Officer have provided a written assurance to the Board on 15 October 2019 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 compliance with the Group's 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 FY2019 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 2019 which is included in the Annual Report, as 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 to provide 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 Head of Strategic Business Group.
- EXCO consists of Executive Directors and Chief Operating Officers hold weekly meeting to discuss, approve 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 ARMC 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 by Internal Audit Department 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 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 on 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 15 October 2019.

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 published at Kobay website, www.kobaytech.com.

MEETINGS

The Committee met four times in the financial year ended 30 June 2019. 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. Committee Secretary recorded meeting minutes and confirmed by Committee Chairman were tabled 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 2018. It covered areas on accounting and audit issues, key internal control issues noted during the course of audit, compliance requirements of Malaysian Institute of Accountants, International Ethics Standards Board and International Standards on Auditing and summary of adjustments and unadjusted differences to financial statements. There was no major item highlighted in relation to management judgments and estimates that affecting the financial year statements. The financial statements for the financial year 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 2018.
3. Noted the External Auditors' Report issued on Deficiencies in Internal Control for financial year ended 30 June 2018.
4. Reviewed quarterly unaudited results with the Chief Financial Officer and obtained clarifications before submission to Board for consideration and approval for the purpose of announcement to Bursa Malaysia.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (CONT'D)

5. Reviewed Quarterly Internal Audit Department Report presented by Internal Auditors. The Committee members discussed and adopted the audit reports on works carried out during the quarter, corrective actions provided by management on audit findings and status of their implementations.
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 reporting and approving procedures, Listing Requirements of Bursa Malaysia and any situation of conflict of interest arisen.
7. Reviewed Quarterly Risk Management Report presented by Chief Financial Officer on behalf of Executive Committee 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 Internal Auditors' report on annual review of Group's risk management activities carried out in financial year ended 30 June 2018 for compliance 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 2019. It covered on engagement and reporting requirements, audit approach, areas of audit emphasis, accounting standards update, engagement team particulars and timetable for audit and issuance of audit report.
10. Adopted Internal Audit Plan for financial year ending 30 June 2020 presented by 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 included 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 adoption and disclosure in 2018 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 Malaysia PLT 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 published at 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 2018 and 16 May 2019 with the external auditors and 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 2019 amounted to RM151,225.

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. At Group level, areas covered were internal control system on evaluating customer credit worthiness and setting credit limit and compliance with provisions of Personal Data Protection Act.

For Property Development Division, audits were carried out on compliance with license applications and submission requirements of Housing Development Act 1966 & Regulations.

For Manufacturing Division, audits were carried at core business units on finished products profitability review, inventory management system in the areas of handling inventory count discrepancy and review of excess inventory review, and accuracy of reporting Key Performance Indices in management accounts based on underlying data.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION (CONT'D)

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 then presented in operations review meeting at holding company level with Executive Committee and Head of Strategic Business Group present. They were also reported in the quarterly Committee meeting.
3. Conducted follow-up audits to ensure corrective actions in internal and external auditors' reports were 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 to 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 the 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 of Directors has generally taking such steps that are reasonably available to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Board has reviewed the content/disclosure of this Annual Report inclusive of the Corporate Governance Overview Statement, Corporate Governance Report, 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 15 October 2019.

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 RM201,500 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

At the Annual General Meeting held on 22 November 2018, the Company had obtained a general mandate from the shareholders to enter into recurrent related party transactions of a revenue or trading nature.

The details of recurrent related party transactions conducted during the financial year ended 30 June 2019 pursuant to the shareholders' mandate are disclosed as follows:-

Companies within the Kobay Group	Transacting parties	Interested parties	Nature of transactions	Amount transacted during the financial year (RM)
PMI	UA	Dato' Seri Koay Hean Eng & persons connected	Purchase of aluminum and other materials	777,538
PPC	UA	Dato' Seri Koay Hean Eng & persons connected	Purchase of aluminum and other materials	512,890

Note :

PMI - Paradigm Metal Industries Sdn. Bhd.

PPC - Paradigm Precision Components Sdn. Bhd.

UA - UA Materials Sdn. Bhd.

EMPLOYEES SHARE OPTION SCHEME

The Company's Employees Share Option Scheme 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 2019.

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2019.

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

	Group RM	Company RM
Profit for the financial year attributable to:-		
- Owners of the Company	18,921,277	14,582,529
- Non-controlling interests	137,596	0
	<u>19,058,873</u>	<u>14,582,529</u>

Dividends

A final single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2019 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

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

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

Share options

The Company did not grant any share options during the financial year.

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.

DIRECTORS' REPORT (CONT'D)

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.

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' REPORT (CONT'D)

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 (resigned on 5.7.2019)
Syed Muhamad Hafiz Bin Syed Ahmad (resigned on 30.6.2019)
Tommy Teh Guan Seng
Gan Bee Keow
Koay Zee Ee
Chan Mun Shee (appointed on 12.6.2019)

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 1.7.2018	Bought	Sold	Balance at 30.6.2019	Balance at 1.7.2018	Balance at 30.6.2019
Dato' Seri Koay Hean Eng	2,481,231	0	0	2,481,231	26,284,510 ^(a)	26,284,510 ^(a)
Koay Cheng Lye	1,588,492	0	0	1,588,492	26,284,510 ^(a)	26,284,510 ^(a)
Koay Ah Bah @ Koay Cheng Hock	1,326,997	0	0	1,326,997	27,236,260 ^(b)	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' REPORT (CONT'D)

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 25 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 29 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, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 24 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 30 September 2019

Dato' Seri Koay Hean Eng

Lim Swee Chuan

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 55 to 108 give a true and fair view of the financial position of the Group and the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 30 September 2019

Dato' Seri Koay Hean Eng

Lim Swee Chuan

STATUTORY DECLARATION

I, Lim Swee Chuan (MIA membership no.: 9254), 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 55 to 108 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Lim Swee Chuan at George
Town in the State of Penang on this 30
September 2019

Lim Swee Chuan

Before me
Shamini A/P M Shanmugam
No: P157
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 2019 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 55 to 108.

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 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International 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.

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Property development activities (Refer to Notes 3 and 6 to the financial statements)</u></p> <p>For property development in progress, the Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation. Property development costs are also recognised in profit or loss on a systematic basis that is consistent with the recognition of related revenue. These procedures involve judgements in estimating the total costs and outcome of the development activity based on past experience, work of experts and continuous monitoring mechanism.</p> <p>Land held for future development is subject to assessment for any potential write-down of cost to net realisable value. Such assessment involves judgements in considering information about the asset's value and economic performance as well as the overall property market conditions.</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 feasibility study and budgeting process; and • how the Group estimates the total costs and outcome of the development activity. • Reviewing the project budgets and evaluating the reasonableness thereof by examining supporting documentation such as contracts, letters of award, variation orders, quotations, etc. • Verifying major costs incurred to supporting documentation such as contracts, progress claims, invoices, architect certifications, etc. • Reviewing the feasibility study of future projects and evaluating the reasonableness thereof by examining the contractual terms of joint venture agreements, project plans, estimated gross development value and costs as well as the prospective market and economic conditions. • Where feasibility study is not available, evaluating the reasonableness of fair value estimates made by management for land itself.
<p><u>Impairment of 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 exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</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 and past due status of receivables and testing the reliability thereof. • Reviewing the 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.

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<u>Impairment of receivables (Refer to Notes 3 and 10 to the financial statements) (cont'd)</u>	<ul style="list-style-type: none"> • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.
<u>Valuation of inventories (Refer to Notes 3 and 13 to the financial statements)</u> 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.	Our audit procedures included, among others:- <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.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

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.

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

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 Malaysian Financial Reporting Standards, International 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.

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.

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

- 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 we have not acted as auditors of a subsidiary, Kobay SCM (S) Pte. Ltd.

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

Other matters

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 July 2018 with a transition date of 1 July 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2018 and 1 July 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 ended 30 June 2018 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 30 June 2019, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2018 do not contain misstatements that materially affect the financial position as at 30 June 2019 and the financial performance and cash flows for the financial year then ended.
- (ii) 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 Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Eddy Chan Wai Hun
02182/10/2019 J
Chartered Accountant

Date: 30 September 2019

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30.6.2019 RM	30.6.2018 RM	1.7.2017 RM
Non-current assets				
Property, plant and equipment	4	68,657,423	56,513,874	57,957,664
Investment properties	5	477,054	0	2,000,395
Land held for property development	6	41,281,840	39,150,823	41,189,546
Intangible assets	7	98,742	79,590	93,278
Investment in joint venture	9	746,311	0	0
Other investment		1,515	15	0
Receivables	10	661,302	0	0
Deferred tax assets	11	0	289,000	0
		<u>111,924,187</u>	<u>96,033,302</u>	<u>101,240,883</u>
Current assets				
Assets held for sale	12	21,000	1,976,059	0
Property development costs	6	25,933,333	19,164,083	13,171,630
Inventories	13	18,452,796	15,124,499	14,888,390
Contract assets	14	7,677,655	0	0
Receivables	10	38,640,601	33,332,120	32,593,211
Derivatives	15	4,514	0	0
Prepayments		2,101,914	2,338,117	1,163,015
Current tax assets		970,091	135,250	484,812
Cash and cash equivalents	16	39,216,706	41,815,361	27,699,690
		<u>133,018,610</u>	<u>113,885,489</u>	<u>90,000,748</u>
Current liabilities				
Contract liabilities	14	0	3,254,688	369,988
Payables	17	38,133,822	28,215,402	26,302,781
Loans and borrowings	18	4,986,268	4,693,322	3,433,825
Derivatives	15	8,500	50,674	0
Current tax liabilities		985,267	1,086,219	246,456
		<u>44,113,857</u>	<u>37,300,305</u>	<u>30,353,050</u>
Net current assets		<u>88,904,753</u>	<u>76,585,184</u>	<u>59,647,698</u>
Non-current liabilities				
Deferred tax liabilities	11	4,417,000	4,473,000	4,293,000
Loans and borrowings	18	17,077,739	7,325,954	8,773,925
Deferred income on government grants	19	1,298,519	1,734,608	1,629,946
		<u>22,793,258</u>	<u>13,533,562</u>	<u>14,696,871</u>
Net assets		<u>178,035,682</u>	<u>159,084,924</u>	<u>146,191,710</u>
Equity				
Share capital	20	102,103,907	102,103,907	102,093,601
Treasury shares		0	0	(67,143)
Capital reserve		1,550,000	1,550,000	1,550,000
Currency translation reserve		87,170	80,285	497,668
Retained profits		<u>73,787,797</u>	<u>54,866,520</u>	<u>41,680,750</u>
Equity attributable to owners of the Company		<u>177,528,874</u>	<u>158,600,712</u>	<u>145,754,876</u>
Non-controlling interests	21	506,808	484,212	436,834
Total equity		<u>178,035,682</u>	<u>159,084,924</u>	<u>146,191,710</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 RM	2018 RM
Revenue	22	169,147,888	156,609,910
Cost of revenue		(122,038,139)	(114,231,801)
Gross profit		<u>47,109,749</u>	<u>42,378,109</u>
Impairment gains/(losses) on financial assets	23	1,614,486	(398,062)
Interest income		899,948	488,633
Other income		2,996,556	3,067,767
Administrative and general expenses		(21,576,028)	(20,234,304)
Selling and distribution expenses		(5,140,843)	(5,037,641)
Loss on derecognition of financial assets measured at amortised cost		0	(1,191,225)
Finance costs		(462,144)	(215,179)
Share of joint venture's loss		(3,689)	0
Profit before tax	24	<u>25,438,035</u>	<u>18,858,098</u>
Tax expense	26	(6,379,162)	(5,465,260)
Profit for the financial year		<u>19,058,873</u>	<u>13,392,838</u>
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operations		6,885	(22,424)
- Reclassification adjustment on dissolution of foreign operation		0	(394,959)
Total other comprehensive income for the financial year		<u>6,885</u>	<u>(417,383)</u>
Comprehensive income for the financial year		<u>19,065,758</u>	<u>12,975,455</u>
Profit for the financial year attributable to:-			
- Owners of the Company		18,921,277	13,183,598
- Non-controlling interests	21	<u>137,596</u>	<u>209,240</u>
		<u>19,058,873</u>	<u>13,392,838</u>
Comprehensive income for the financial year attributable to:-			
- Owners of the Company		18,928,162	12,766,215
- Non-controlling interests		<u>137,596</u>	<u>209,240</u>
		<u>19,065,758</u>	<u>12,975,455</u>
Earnings per share:-	27		
- Basic (sen)		18.53	12.92
- Diluted (sen)		<u>18.53</u>	<u>12.92</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Non-distributable			Distributable		Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Currency translation reserve	Retained profits	RM	RM	RM
Balance at 1 July 2017	102,093,601	(67,143)	1,550,000	497,668	41,680,750	145,754,876	436,834	146,191,710
Currency translation differences for foreign operations	0	0	0	(22,424)	0	(22,424)	0	(22,424)
Reclassification adjustment on dissolution of foreign operation	0	0	0	(394,959)	0	(394,959)	0	(394,959)
Total other comprehensive income for the financial year	0	0	0	(417,383)	0	(417,383)	0	(417,383)
Profit for the financial year	0	0	0	0	13,183,598	13,183,598	209,240	13,392,838
Comprehensive income for the financial year	0	0	0	(417,383)	13,183,598	12,766,215	209,240	12,975,455
Reissue of treasury shares	10,306	67,143	0	0	0	77,449	0	77,449
Dividends to non-controlling interests	0	0	0	0	0	0	(93,000)	(93,000)
Contributions by/(Distributions to) owners	10,306	67,143	0	0	0	77,449	(93,000)	(15,551)
Change in ownership interest in subsidiary	0	0	0	0	2,172	2,172	(68,862)	(66,690)
Total transactions with owners	10,306	67,143	0	0	2,172	79,621	(161,862)	(82,241)
Balance at 30 June 2018	102,103,907	0	1,550,000	80,285	54,866,520	158,600,712	484,212	159,084,924
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	0	6,885	0	6,885	0	6,885
Profit for the financial year	0	0	0	0	18,921,277	18,921,277	137,596	19,058,873
Comprehensive income for the financial year	0	0	0	6,885	18,921,277	18,928,162	137,596	19,065,758
Dividends to non-controlling interests (representing total transactions with owners)	0	0	0	0	0	0	(115,000)	(115,000)
Balance at 30 June 2019	102,103,907	0	1,550,000	87,170	73,787,797	177,528,874	506,808	178,035,682

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Profit before tax		25,438,035	18,858,098
Adjustments for:-			
Amortisation of deferred income on government grants		(436,089)	(410,338)
Depreciation of investment properties		0	24,336
Depreciation of property, plant and equipment		6,423,152	6,133,019
Gain on disposal of investment properties		(623,941)	0
Gain on disposal of property, plant and equipment		(132,971)	(168,582)
Gain on dissolution of subsidiary		0	(375,206)
Impairment (gains)/losses on financial assets		(1,614,486)	398,062
Impairment loss on property, plant and equipment		834,641	0
Interest expense		462,144	215,179
Interest income		(899,948)	(488,633)
Loss on derecognition of financial assets measured at amortised cost		0	1,191,225
Property, plant and equipment written off		2,353	413,714
Share of joint venture's loss		3,689	0
Unrealised loss/(gain) on foreign exchange		66,602	(386,760)
Unrealised loss on financial instruments at fair value through profit or loss		3,986	50,674
Operating profit before working capital changes		29,527,167	25,454,788
Changes in:-			
Land held for property development		(2,131,017)	2,038,723
Property development costs		(6,769,250)	(5,875,293)
Inventories		(3,328,297)	(236,109)
Contract assets and contract liabilities		(10,932,343)	2,884,700
Receivables		(4,414,919)	(2,007,050)
Derivatives		(50,674)	0
Prepayments		236,203	(1,175,102)
Payables		9,917,722	1,902,469
Cash generated from operations		12,054,592	22,987,126
Tax paid		(7,158,702)	(4,946,552)
Tax refunded		76,747	561,617
Net cash from operating activities		4,972,637	18,602,191
Cash flows from investing activities			
Acquisition of joint venture		(750,000)	0
Additions of intangible assets		(2,201)	(6,065)
Grants received		0	515,000
Interest received		899,948	488,633
Proceeds from disposal of investment properties		2,600,000	0
Proceeds from disposal of property, plant and equipment		195,884	236,904
Purchase of investment properties		(477,054)	0
Purchase of other investment		(1,500)	(15)
Purchase of property, plant and equipment		(19,487,608)	(5,171,265)
Net cash used in investing activities		(17,022,531)	(3,936,808)

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 2019**

	Note	2019 RM	2018 RM
Cash flows from financing activities			
Acquisition of shares from non-controlling interests		0	(66,690)
Changes in term deposits pledged as security		3,163,285	(3,586,998)
Dividends paid to non-controlling interests		(115,000)	(93,000)
Drawdowns of term loans	28	17,600,000	0
Increase in short-term loans and borrowings (net)	28	920,513	266,040
Interest paid		(462,144)	(339,501)
Reissue of treasury shares		0	77,449
Repayment of term loans	28	<u>(6,481,936)</u>	<u>(2,445,208)</u>
Net cash from/(used in) financing activities		14,624,718	(6,187,908)
Currency translation differences		(16,348)	57,352
Net increase in cash and cash equivalents		2,558,476	8,534,827
Cash and cash equivalents brought forward		33,620,145	25,085,318
Cash and cash equivalents carried forward	16	<u>36,178,621</u>	<u>33,620,145</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30.6.2019 RM	30.6.2018 RM	1.7.2017 RM
Non-current assets				
Property, plant and equipment	4	505,824	377,808	435,108
Investments in subsidiaries	8	115,003,241	114,983,241	91,483,241
Investment in joint venture	9	750,000	0	0
Other investment		1,515	15	0
		<u>116,260,580</u>	<u>115,361,064</u>	<u>91,918,349</u>
Current assets				
Asset held for sale	12	21,000	0	0
Receivables	10	12,196,529	5,287,609	20,561,927
Prepayments		6,867	10,575	12,900
Current tax assets		45,400	12,182	0
Cash and cash equivalents	16	14,974,925	9,217,026	9,299,627
		<u>27,244,721</u>	<u>14,527,392</u>	<u>29,874,454</u>
Current liabilities				
Payables	17	2,438,353	408,255	2,486,348
Loans and borrowings	18	727,628	4,490,972	481,299
Current tax liabilities		0	0	21,500
		<u>3,165,981</u>	<u>4,899,227</u>	<u>2,989,147</u>
Net current assets		<u>24,078,740</u>	<u>9,628,165</u>	<u>26,885,307</u>
Non-current liabilities				
Loans and borrowings	18	8,093,516	7,325,954	8,105,038
Net assets		<u>132,245,804</u>	<u>117,663,275</u>	<u>110,698,618</u>
Equity				
Share capital	20	102,103,907	102,103,907	102,093,601
Treasury shares		0	0	(67,143)
Retained profits		30,141,897	15,559,368	8,672,160
Total equity		<u>132,245,804</u>	<u>117,663,275</u>	<u>110,698,618</u>

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 RM	2018 RM
Revenue	22	18,395,632	10,229,542
Impairment gains on financial assets	23	1,150,723	321,011
Interest income		147,041	1,053,001
Other income		0	600
Administrative and general expenses		(4,832,192)	(4,380,435)
Finance costs		(182,335)	(184,978)
Profit before tax	24	<u>14,678,869</u>	<u>7,038,741</u>
Tax expense	26	(96,340)	(151,533)
Profit for the financial year		<u>14,582,529</u>	<u>6,887,208</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>14,582,529</u>	<u>6,887,208</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Statement of changes in equity for the financial year ended 30 June 2019

	Share capital RM	Treasury shares RM	Distributable Retained profits RM	Total equity RM
Balance at 1 July 2017	102,093,601	(67,143)	8,672,160	110,698,618
Profit (representing comprehensive income) for the financial year	0	0	6,887,208	6,887,208
Reissue of treasury shares (representing total transactions with owners)	10,306	67,143	0	77,449
Balance at 30 June 2018	102,103,907	0	15,559,368	117,663,275
Profit (representing comprehensive income) for the financial year	0	0	14,582,529	14,582,529
Balance at 30 June 2019	102,103,907	0	30,141,897	132,245,804

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Profit before tax		14,678,869	7,038,741
Adjustments for:-			
Depreciation of property, plant and equipment		66,639	63,286
Dividend income		(16,196,927)	(8,774,442)
Impairment gains on financial assets		(1,150,723)	(321,011)
Interest expense		182,335	184,978
Interest income		(147,041)	(1,053,001)
Operating loss before working capital changes		(2,566,848)	(2,861,449)
Changes in:-			
Receivables		(27,200)	350
Prepayments		3,708	2,325
Payables		243,103	41,907
Cash absorbed by operations		(2,347,237)	(2,816,867)
Tax paid		(153,218)	(185,215)
Tax refunded		23,660	0
Net cash used in operating activities		(2,476,795)	(3,002,082)
Cash flows from investing activities			
Acquisition of joint venture		(750,000)	0
Acquisition of subsidiary		(2)	0
Capital repayment from subsidiary		0	400,000
Dividends received		16,196,927	8,774,442
Interest received		147,041	1,053,001
Net advance to subsidiaries		(3,944,002)	(10,425,021)
Purchase of other investment		(1,500)	(15)
Purchase of property, plant and equipment		(215,655)	(5,986)
Subscription for shares in subsidiary		(19,998)	0
Net cash from/(used in) investing activities		11,412,811	(203,579)
Cash flows from financing activities			
(Decrease)/Increase in short-term loans and borrowings (net)	28	(2,000,000)	2,000,000
Drawdown of term loan	28	2,000,000	0
Interest paid		(182,335)	(184,978)
Reissue of treasury shares		0	77,449
Repayment of term loans	28	(1,001,936)	(763,257)
Net cash (used in)/from financing activities		(1,184,271)	1,129,214
Net increase/(decrease) in cash and cash equivalents		7,751,745	(2,076,447)
Cash and cash equivalents brought forward		7,215,180	9,291,627
Cash and cash equivalents carried forward	16	<u>14,966,925</u>	<u>7,215,180</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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, No. 42-B Jalan Rangoon, 10400 George Town, Penang, Malaysia.

The consolidated financial statements set out on pages 55 to 59 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in a joint venture. The separate financial statements of the Company set out on pages 60 to 63 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 30 September 2019.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

These are the first MFRS financial statements of the Group and the Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 July 2018 with a transition date of 1 July 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2018 and 1 July 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 ended 30 June 2018 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The transition from FRSs to MFRSs did not have any significant impacts on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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

MFRS 16 *Leases*

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group and the Company will apply the new requirements of MFRS 16 from 1 July 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.2 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 2.10. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.10.

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.

2.4 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 2.10.

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

2.5 Property development

Land held for property development and property development costs are valued at the lower of cost (determined principally on the specific identification basis) and net realisable value. Cost consists of costs associated with the acquisition of land, costs that relate directly to a specific development project and other costs attributable to development activities in general and can be allocated to the project. 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.

Land held for property development is classified as non-current assets. It is transferred to property development costs under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

Property development costs attributable to development units sold are recognised in profit or loss on a systematic basis that is consistent with the recognition of related revenue as disclosed in Note 2.18. Upon completion of development project, costs attributable to unsold units are transferred to completed development units.

2.6 Intellectual property

Intellectual property with an indefinite useful life is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.10.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.7 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 2.10.

2.8 Investment in joint venture

A joint venture is a joint arrangement whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the joint venturers sharing control.

In the consolidated financial statements, investment in joint venture is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.10.

In the separate financial statements of the Company, investment in joint venture is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.10.

2.9 Non-current assets (or disposal groups) held for sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification as held for sale, the carrying amounts of the asset (or all the assets and liabilities of the disposal group) are measured in accordance with applicable MFRSs. Upon classification as held for sale, the asset (or disposal group), other than deferred tax assets and financial assets within the scope of MFRS 9 *Financial Instruments*, is measured at the lower of its carrying amount and fair value less costs to sell. Any initial or subsequent write-down to, or any subsequent increase in, fair value less costs to sell is recognised in profit or loss.

2.10 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 deferred tax assets, non-current assets (or disposal groups) classified as held for sale, inventories and contract assets, 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.

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. An impairment loss on goodwill is not reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.11 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.

2.12 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.13. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.13 Financial assets

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

Initial 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. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.18). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

Subsequent measurement (cont'd)

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.14 Financial liabilities

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

Initial 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 minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Derivatives are subsequently measured at fair value through profit or loss. Any gain or loss is recognised in profit or loss.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

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

2.15 Foreign currency transactions and translation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.15 Foreign currency transactions and translation (cont'd)

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

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

2.16 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.

2.17 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 or a combination thereof:-

- (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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.17 Fair value measurement (cont'd)

- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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

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

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

Financial assets and financial liabilities

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

The fair values of forward exchange contracts are measured 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).

2.18 Revenue from contracts with customers

The Group and the Company recognise revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.18 Revenue from contracts with customers (cont'd)

- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

Sale of goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

Rendering of services

The Group and the Company determine that the transfer of control of promised services generally coincides with the Group's or the Company's performance as the customer simultaneously receives and consumes the benefits of the performance as the Group or the Company performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Group and the Company measure the progress towards complete satisfaction of the performance obligation using output methods, which include surveys of performance completed and time elapsed.

Property development

For sale of properties under development, the Group determines that the transfer of control generally coincides with the Group's performance as the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Accordingly, revenue is recognised over time during the development period. The Group measures the progress towards complete satisfaction of the performance obligation using an input method, i.e. costs incurred relative to the total expected costs. The effects of any costs incurred that do not depict the Group's performance are excluded from the calculation.

2.19 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income is recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.20 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.

2.21 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 the cost of an asset, 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"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

2.22 Borrowing costs

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

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

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.

2.24 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, if any.

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:-

Property development

The Group recognises property development revenue over time by measuring the progress towards complete satisfaction of the performance obligation. Property development costs and incremental costs of obtaining the contract are also recognised in profit or loss on a systematic basis that is consistent with the recognition of related revenue. These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience, work of experts and continuous monitoring mechanism. Any changes in these accounting estimates will affect the carrying amounts of property development costs (Note 6), contract assets and contract liabilities (Note 14).

Impairment of receivables and contract assets

The Group and the Company recognise loss allowance for expected credit losses on receivables and contract assets based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 10) and contract assets (Note 14).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

3. Judgements and estimation uncertainty (cont'd)

Sources of estimation uncertainty (cont'd)

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 13).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. Property, plant and equipment

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
Cost								
Balance at 1 July 2017	39,390,600	7,284,291	81,274,291	8,051,048	1,205,768	1,668,187	669,485	139,543,670
Additions	455,737	538,860	3,756,650	339,129	17,429	51,800	11,660	5,171,265
Disposals/Write-offs	0	(465,870)	(1,288,178)	(32,503)	(3,700)	(57,000)	(350,481)	(2,197,732)
Reclassifications	0	132,943	0	0	0	0	(132,943)	0
Balance at 30 June 2018	39,846,337	7,490,224	83,742,763	8,357,674	1,219,497	1,662,987	197,721	142,517,203
Additions	14,765	188,956	1,431,809	961,183	45,235	21,000	16,824,660	19,487,608
Disposals/Write-offs	0	0	(463,545)	(22,966)	0	0	0	(486,511)
Reclassifications	0	0	11,660	0	0	0	(11,660)	0
Transfer to assets held for sale	0	0	0	0	0	(21,000)	0	(21,000)
Balance at 30 June 2019	39,861,102	7,679,180	84,722,687	9,295,891	1,264,732	1,662,987	17,010,721	161,497,300

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. Property, plant and equipment (cont'd)

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
Depreciation and impairment losses								
Balance at 1 July 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
Depreciation	809,617	675,583	3,909,183	646,690	42,233	49,713	0	6,133,019
Disposals/Write-offs	0	(56,410)	(1,234,470)	(23,846)	0	(56,999)	(343,971)	(1,715,696)
Balance at 30 June 2018	11,245,290	3,665,770	62,187,125	5,691,389	951,401	1,317,924	0	85,058,899
Accumulated depreciation	0	0	604,252	100,837	77,789	34,332	127,220	944,430
Accumulated impairment losses	11,245,290	3,665,770	62,791,377	5,792,226	1,029,190	1,352,256	127,220	86,003,329
Depreciation	876,822	726,952	4,011,512	712,613	45,541	49,712	0	6,423,152
Impairment loss	0	0	834,641	0	0	0	0	834,641
Disposals/Write-offs	0	0	(401,210)	(20,035)	0	0	0	(421,245)
Balance at 30 June 2019	12,122,112	4,392,722	65,797,427	6,383,967	996,942	1,367,636	0	91,060,806
Accumulated depreciation	0	0	1,438,893	100,837	77,789	34,332	127,220	1,779,071
Accumulated impairment losses	12,122,112	4,392,722	67,236,320	6,484,804	1,074,731	1,401,968	127,220	92,839,877
Carrying amount								
Balance at 1 July 2017	28,954,927	4,237,694	21,157,627	2,881,666	218,811	308,645	198,294	57,957,664
Balance at 30 June 2018	28,601,047	3,824,454	20,951,386	2,565,448	190,307	310,731	70,501	56,513,874
Balance at 30 June 2019	27,738,990	3,286,458	17,486,367	2,811,087	190,001	261,019	16,883,501	68,657,423

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. Property, plant and equipment (cont'd)

The details of land and buildings are as follows:-

Group	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Cost				
Balance at 1 July 2017	4,161,603	8,411,794	26,817,203	39,390,600
Additions	0	0	455,737	455,737
Balance at 30 June 2018	4,161,603	8,411,794	27,272,940	39,846,337
Additions	0	0	14,765	14,765
Balance at 30 June 2019	4,161,603	8,411,794	27,287,705	39,861,102
Accumulated depreciation				
Balance at 1 July 2017	0	3,086,063	7,349,610	10,435,673
Depreciation	0	151,780	657,837	809,617
Balance at 30 June 2018	0	3,237,843	8,007,447	11,245,290
Depreciation	0	151,780	725,042	876,822
Balance at 30 June 2019	0	3,389,623	8,732,489	12,122,112
Carrying amount				
Balance at 1 July 2017	4,161,603	5,325,731	19,467,593	28,954,927
Balance at 30 June 2018	4,161,603	5,173,951	19,265,493	28,601,047
Balance at 30 June 2019	4,161,603	5,022,171	18,555,216	27,738,990

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

	Group	
	2019 RM	2018 RM
Leasehold land	4,500,232	5,173,951
Buildings	14,087,095	14,657,291
Capital work-in-progress	16,704,660	0
	<u>35,291,987</u>	<u>19,831,242</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. Property, plant and equipment (cont'd)

Company

	Renovation RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Cost				
Balance at 1 July 2017	418,144	688,701	1,800	1,108,645
Additions	0	5,986	0	5,986
Balance at 30 June 2018	418,144	694,687	1,800	1,114,631
Additions	0	194,655	21,000	215,655
Transfer to assets held for sale	0	0	(21,000)	(21,000)
Balance at 30 June 2019	418,144	889,342	1,800	1,309,286
Accumulated depreciation				
Balance at 1 July 2017	92,483	579,255	1,799	673,537
Depreciation	37,441	25,845	0	63,286
Balance at 30 June 2018	129,924	605,100	1,799	736,823
Depreciation	37,441	29,198	0	66,639
Balance at 30 June 2019	167,365	634,298	1,799	803,462
Carrying amount				
Balance at 1 July 2017	325,661	109,446	1	435,108
Balance at 30 June 2018	288,220	89,587	1	377,808
Balance at 30 June 2019	250,779	255,044	1	505,824

5. Investment properties

Group

	Freehold land RM	Buildings RM	Total RM
Cost			
Balance at 1 July 2017	854,550	1,216,826	2,071,376
Transfer to assets held for sale	(854,550)	(1,216,826)	(2,071,376)
Balance at 30 June 2018	0	0	0
Additions	0	477,054	477,054
Balance at 30 June 2019	0	477,054	477,054
Accumulated depreciation			
Balance at 1 July 2017	0	70,981	70,981
Depreciation	0	24,336	24,336
Transfer to assets held for sale	0	(95,317)	(95,317)
Balance at 30 June 2018 / 30 June 2019	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

5. Investment properties (cont'd)

	Freehold land RM	Buildings RM	Total RM
Carrying amount			
Balance at 1 July 2017	854,550	1,145,845	2,000,395
Balance at 30 June 2018	0	0	0
Balance at 30 June 2019	0	477,054	477,054

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

6. Property development

Group

Land held for property development

	2019 RM	2018 RM
Land held for property development	41,281,840	39,150,823
Represented by:-		
- Land costs	23,601,744	21,943,643
- Development costs	6,236,840	5,977,524
- Incidental costs incurred for acquisition of land	4,577,525	4,438,925
- Advance payments to landowners ^(a)	6,265,731	6,190,731
- Incidental costs incurred for joint venture agreement	600,000	600,000
	41,281,840	39,150,823

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

Certain land held for property development totalling RM579,900 (2018 : nil) has been pledged as security for credit facilities granted to the Group.

Property development costs

	2019 RM	2018 RM
Property development costs	25,933,333	19,164,083
Represented by:-		
- Land costs	14,514,350	14,514,350
- Development costs	50,800,988	16,534,881
- Costs recognised in profit or loss	(39,382,005)	(11,885,148)
	25,933,333	19,164,083

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

6. Property development (cont'd)

Property development costs (cont'd)

The development land at cost of RM14,514,350 was pledged as security for credit facilities granted to the Group as at 30 June 2018.

7. Intangible assets

Group

	Goodwill RM	Intellectual property RM	Total RM
Balance at 1 July 2017	31,376	61,902	93,278
Additions	997	5,068	6,065
Dissolution of subsidiary	(19,753)	0	(19,753)
Balance at 30 June 2018	12,620	66,970	79,590
Additions	16,951	2,201	19,152
Balance at 30 June 2019	29,571	69,171	98,742

8. Investments in subsidiaries

Company

	2019 RM	2018 RM
Unquoted shares - at cost	122,796,185	122,776,185
Impairment losses	(7,792,944)	(7,792,944)
	<u>115,003,241</u>	<u>114,983,241</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
Kewjaya Sdn. Bhd.	Malaysia	100%	100%	Money lending
Kobay Assets Sdn. Bhd.	Malaysia	100%	100%	Property letting
Kobay G Sdn. Bhd.	Malaysia	100%	100%	Marketing and project management services for property developers
Kobay Industries Sdn. Bhd.	Malaysia	100%	100%	Investment holding and management services
Kobay Land Sdn. Bhd.	Malaysia	100%	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

8. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
Kobay Project Venture Sdn. Bhd.	Malaysia	100%	100%	Property development
Kobay SB Sdn. Bhd. (formerly known as Kobay Sawin Sdn. Bhd.)	Malaysia	100%	100%	Property development
Kobay Systems Sdn. Bhd.	Malaysia	100%	100%	Property development
LD Global Sdn. Bhd.	Malaysia	100%	100%	Property development
Lodge 18 Sdn. Bhd.	Malaysia	100%	100%	Hotel operation
Premierview Property Sdn. Bhd.	Malaysia	100%	100%	Property development
SMU Kobay Sdn. Bhd.	Malaysia	100%	100%	Property development
The 12 Avenues Sdn. Bhd.	Malaysia	70%	70%	Property development
Ultimate Sanctuary Sdn. Bhd.	Malaysia	100%	100%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	70%	70%	In the process of members' voluntary winding up
Kobay Resorts Sdn. Bhd.	Malaysia	100%	0%	Hotel operator and property management
<u>Subsidiaries of Kobay Industries Sdn. Bhd.</u>				
Bend Weld Engineering Sdn. Bhd.	Malaysia	100%	100%	Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment
Kobay Premier Sdn. Bhd.	Malaysia	100%	100%	Inactive
Kobay SCM (S) Pte. Ltd.	Singapore	100%	100%	Inactive
KT Microhandling Sdn. Bhd.	Malaysia	100%	100%	Manufacture of semiconductor assembly and testing equipment
Maker Technologies Sdn. Bhd.	Malaysia	100%	100%	Manufacture of precision moulds and parts
Micro Surface Treatment Sdn. Bhd.	Malaysia	90%	90%	Precision plating and surface treatment

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

8. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
Omni Value Chain Sdn. Bhd.	Malaysia	100%	100%	Supply chain management
Paradigm Aerospace Sdn. Bhd.	Malaysia	100%	100%	Manufacture of components and sub-assemblies for aerospace parts
Paradigm Metal Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacture of precision metal stamping, sheet metal and die casting parts
Paradigm Precision Components Sdn. Bhd.	Malaysia	100%	100%	Manufacture of precision machined components
Polytool Technologies Sdn. Bhd.	Malaysia	100%	100%	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%	100%	Property development

9. Investment in joint venture

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares - at cost	750,000	0	750,000	0
Share of post-acquisition changes in net assets	(3,689)	0	0	0
	<u>746,311</u>	<u>0</u>	<u>750,000</u>	<u>0</u>

The details of the joint venture are as follows:-

Name of joint venture	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
Kobay UA Sdn. Bhd.	Malaysia	50%	0%	Manufacture of aluminium profile

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

9. Investment in joint venture (cont'd)

Kobay UA Sdn. Bhd. is not considered to be material to the Group. The Group's share of its comprehensive income is as follows:-

	2019 RM	2018 RM
Loss (representing comprehensive income)	<u>(3,689)</u>	<u>0</u>

10. Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables:-				
- Related parties ^(a)	218,657	0	0	0
- Unrelated parties	38,248,973	32,508,372	0	0
	<u>38,467,630</u>	<u>32,508,372</u>	<u>0</u>	<u>0</u>
- Loss allowance	(270,994)	(723,390)	0	0
	<u>38,196,636</u>	<u>31,784,982</u>	<u>0</u>	<u>0</u>
Other receivables	3,343,177	4,947,138	82,646	55,446
Loss allowance	(2,237,910)	(3,400,000)	0	0
	<u>1,105,267</u>	<u>1,547,138</u>	<u>82,646</u>	<u>55,446</u>
Amounts due from subsidiaries	0	0	14,381,130	8,650,133
Loss allowance	0	0	(2,267,247)	(3,417,970)
	<u>0</u>	<u>0</u>	<u>12,113,883</u>	<u>5,232,163</u>
	<u>39,301,903</u>	<u>33,332,120</u>	<u>12,196,529</u>	<u>5,287,609</u>
Disclosed as:-				
- Non-current assets	661,302	0	0	0
- Current liabilities	38,640,601	33,332,120	12,196,529	5,287,609
	<u>39,301,903</u>	<u>33,332,120</u>	<u>12,196,529</u>	<u>5,287,609</u>

^(a) Being family members of certain directors

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2019, there was 1 (2018 : 2) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM6,416,315 (2018 : RM8,641,229). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2019 RM	2018 RM
Malaysia	27,334,207	22,051,094
Singapore	4,617,062	4,269,051
United States of America	2,311,160	3,318,951
Others	4,205,201	2,869,276
	<u>38,467,630</u>	<u>32,508,372</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

10. Receivables (cont'd)

Trade receivables (cont'd)

Included in trade receivables is a property loan of RM754,315 (2018 : nil) granted to a customer and bearing interest at 5.22% per annum. The loan is effectively secured against a property under development sold to the customer and repayable over 10 years as follows:-

	Group	
	2019 RM	2018 RM
Within 1 year	93,013	0
Later than 1 year and not later than 2 years	100,528	0
Later than 2 year and not later than 5 years	334,179	0
Later than 5 years	226,595	0
	<u>754,315</u>	<u>0</u>

Except for the aforementioned property loan, the credit terms of trade receivables generally range from 30 to 90 days.

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

	Group	
	2019 RM	2018 RM
Not past due	29,046,920	23,289,534
1 to 30 days past due	5,319,958	6,533,826
31 to 60 days past due	1,491,225	552,648
61 to 90 days past due	337,724	1,046,951
More than 90 days past due	2,271,803	1,085,413
	<u>38,467,630</u>	<u>32,508,372</u>

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. The changes in the loss allowance are as follows:-

	Group	
	2019 RM	2018 RM
Balance at 1 July	723,390	325,328
Impairment (gains)/losses	(452,396)	398,062
Balance at 30 June	<u>270,994</u>	<u>723,390</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

10. Receivables (cont'd)

Trade receivables (cont'd)

The above loss allowance is in respect of individually assessed credit-impaired trade receivables. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables that are not credit-impaired are not considered to be material and hence, have not been recognised.

Other receivables

The Group measures the loss allowance at an amount equal to lifetime expected credit losses. The changes in the loss allowance are as follows:-

	Group	
	2019 RM	2018 RM
Balance at 1 July	3,400,000	3,400,000
Impairment gains	(1,162,090)	0
Balance at 30 June	<u>2,237,910</u>	<u>3,400,000</u>

Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for certain amounts totalling RM6,735,860 (2018 : nil) which bear interest at 6.00% per annum.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses. The gross carrying amounts and the related loss allowance changes are as follows:-

	Company			
	Not credit- impaired RM	Credit- impaired RM	2019 RM	2018 RM
Gross carrying amount	11,936,863	2,444,267	14,381,130	8,650,133
Loss allowance:-				
- Balance at 1 July	0	3,417,970	3,417,970	3,738,981
- Impairment gains	0	(1,150,723)	(1,150,723)	(321,011)
- Balance at 30 June	0	<u>2,267,247</u>	<u>2,267,247</u>	<u>3,417,970</u>
	<u>11,936,863</u>	<u>177,020</u>	<u>12,113,883</u>	<u>5,232,163</u>

The Company determines that an amount due from subsidiary is credit-impaired when the subsidiary is in negative equity position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

11. Deferred tax assets and deferred tax liabilities

Group	2019 RM	2018 RM
Balance at 1 July	(4,184,000)	(4,293,000)
Deferred tax expense relating to origination and reversal of temporary differences	(429,000)	(192,000)
Deferred tax liabilities overprovided in prior year	196,000	12,000
Recognition of previously unrecognised deferred tax assets	0	289,000
Balance at 30 June	<u>(4,417,000)</u>	<u>(4,184,000)</u>
Disclosed as:-		
- Deferred tax assets	0	289,000
- Deferred tax liabilities	<u>(4,417,000)</u>	<u>(4,473,000)</u>
	<u>(4,417,000)</u>	<u>(4,184,000)</u>
In respect of:-		
- (Taxable)/Deductible temporary differences of:-		
- Property, plant and equipment	(4,429,000)	(4,506,000)
- Inventories	0	13,000
- Financial instruments	12,000	27,000
- Unused tax losses	0	282,000
	<u>(4,417,000)</u>	<u>(4,184,000)</u>

Save as disclosed above, as at 30 June 2019, 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 RM323,000 and RM26,000 (2018 : RM355,000 and RM12,000) respectively. No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unused capital allowances and tax losses over taxable temporary differences:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deductible temporary differences of:-				
- Inventories	1,601,000	1,601,000	0	0
- Financial instruments	421,000	94,000	0	0
Unused capital allowances	1,895,000	2,540,000	620,000	609,000
Unused tax losses with:-				
- Expiry date in 2025	24,485,000	27,614,000	1,323,000	1,323,000
- Expiry date in 2026	1,975,000	0	1,327,000	0
Taxable temporary differences of property, plant and equipment	<u>(1,346,000)</u>	<u>(1,479,000)</u>	<u>(109,000)</u>	<u>(51,000)</u>
	<u>29,031,000</u>	<u>30,370,000</u>	<u>3,161,000</u>	<u>1,881,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

12. Assets held for sale

Group

	Freehold land RM	Buildings RM	Motor vehicle RM	Total RM
Balance at 1 July 2017	0	0	0	0
Transfer from investment properties	854,550	1,121,509	0	1,976,059
Balance at 30 June 2018	854,550	1,121,509	0	1,976,059
Disposals	(854,550)	(1,121,509)	0	(1,976,059)
Transfer from property, plant and equipment	0	0	21,000	21,000
Balance at 30 June 2019	0	0	21,000	21,000

Company

	Motor vehicle RM
Balance at 1 July 2018	0
Transfer from property, plant and equipment	21,000
Balance at 30 June 2019	21,000

13. Inventories

Group

	2019 RM	2018 RM
Raw materials	3,305,012	3,179,691
Work-in-progress	10,667,031	7,426,642
Finished goods	4,480,753	4,518,166
	<u>18,452,796</u>	<u>15,124,499</u>

14. Contract assets and contract liabilities from property development

Group

	2019 RM	2018 RM
Balance at 1 July	(3,254,688)	(369,988)
Revenue recognised during the year	34,560,384	12,137,857
Progress billings during the year	(23,628,041)	(15,022,557)
Balance at 30 June	<u>7,677,655</u>	<u>(3,254,688)</u>
Disclosed as:-		
- Contract assets	7,677,655	0
- Contract liabilities	0	(3,254,688)
	<u>7,677,655</u>	<u>(3,254,688)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

14. Contract assets and contract liabilities from property development (cont'd)

As disclosed in Note 2.18, the Group generally satisfies its performance obligations over time during the development period. Any excess of revenue recognised over progress billings is presented as contract asset, whereas any deficit is presented as contract liability.

The Group measures the loss allowance for contract assets at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on contract assets are not considered to be material and hence, have not been recognised.

Remaining performance obligations

As at 30 June 2019, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM27,099,798 (2018 : RM31,598,118) and the Group expects to recognise this revenue when the projects are completed over the next 1 to 2 (2018 : 2) years.

15. Derivatives

Group

	2019 RM	2018 RM
Forward exchange contracts - at fair value		
- Current assets	4,514	0
- Current liabilities	(8,500)	(50,674)
	<u>(3,986)</u>	<u>(50,674)</u>

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2019, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:-

	2019		2018	
	To buy	To sell	To buy	To sell
Contract I	RM1,374,934	USD333,147	RM2,374,500	USD600,000
Contract II	<u>RM1,441,200</u>	<u>USD350,000</u>	<u>0</u>	<u>0</u>

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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

16. Cash and cash equivalents

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Highly liquid investments	4,673,078	2,791,918	2,569,861	1,107,680
Term deposits (fixed rate)	4,047,747	7,051,371	8,000	8,000
Cash and bank balances	30,495,881	31,972,072	12,397,064	8,101,346
	<u>39,216,706</u>	<u>41,815,361</u>	<u>14,974,925</u>	<u>9,217,026</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain term deposits of the Group and the Company totalling RM3,038,085 and RM8,000 (2018 : RM6,201,370 and RM8,000) respectively have been pledged as security for credit facilities granted to the Group and the Company. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 30 June 2019 ranged from 2.70% to 3.35% (2018 : 2.80% to 3.35%) per annum.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and cash equivalents	39,216,706	41,815,361	14,974,925	9,217,026
Bank overdrafts	0	(1,993,846)	0	(1,993,846)
Term deposits pledged as security	(3,038,085)	(6,201,370)	(8,000)	(8,000)
	<u>36,178,621</u>	<u>33,620,145</u>	<u>14,966,925</u>	<u>7,215,180</u>

17. Payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables:-				
- Related party ^(a)	728,863	460,207	0	0
- Unrelated parties	22,792,723	18,678,985	0	0
	23,521,586	19,139,192	0	0
Other payables	14,612,236	9,076,210	651,358	408,255
Amounts due to subsidiaries	0	0	1,786,995	0
	<u>38,133,822</u>	<u>28,215,402</u>	<u>2,438,353</u>	<u>408,255</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

17. Payables (cont'd)

Trade and other payables

The credit terms of trade and other payables range from 30 to 90 days.

Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

18. Loans and borrowings

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Secured</u>				
Bank overdrafts (floating rate)	0	1,993,846	0	1,993,846
Revolving credit (fixed rate)	2,322,863	2,000,000	0	2,000,000
Term loans (floating rate)	18,941,144	7,823,080	8,821,144	7,823,080
	<u>21,264,007</u>	<u>11,816,926</u>	<u>8,821,144</u>	<u>11,816,926</u>
<u>Unsecured</u>				
Revolving credit (fixed rate)	800,000	202,350	0	0
	<u>22,064,007</u>	<u>12,019,276</u>	<u>8,821,144</u>	<u>11,816,926</u>
Disclosed as:-				
- Current liabilities	4,986,268	4,693,322	727,628	4,490,972
- Non-current liabilities	17,077,739	7,325,954	8,093,516	7,325,954
	<u>22,064,007</u>	<u>12,019,276</u>	<u>8,821,144</u>	<u>11,816,926</u>

Secured loans and borrowings are secured against certain property, plant and equipment (Note 4), land held for property development (Note 6), property development costs (Note 6) and term deposits (Note 16).

The effective interest rates of loans and borrowings as at 30 June 2019 ranged from 3.90% to 6.67% (2018 : 4.20% to 6.92%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

18. Loans and borrowings (cont'd)

Term loans

Term loans are repayable over 5 to 20 years. The repayment analysis is as follows:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Gross loan instalments:-				
- Within 1 year	2,748,636	859,512	1,111,392	859,512
- Later than 1 year and not later than 2 years	2,722,272	859,512	1,111,392	859,512
- Later than 2 years and not later than 5 years	7,894,028	2,578,536	3,334,176	2,578,536
- Later than 5 years	10,537,124	6,200,341	5,608,724	6,200,341
Total contractual undiscounted cash flows	23,902,060	10,497,901	11,165,684	10,497,901
Future finance charges	(4,960,916)	(2,674,821)	(2,344,540)	(2,674,821)
Present value of term loans:-				
- Within 1 year	1,863,405	497,126	727,628	497,126
- Later than 1 year and not later than 2 years	1,887,757	510,064	745,565	510,064
- Later than 2 years and not later than 5 years	5,967,085	1,680,870	2,445,054	1,680,870
- Later than 5 years	9,222,897	5,135,020	4,902,897	5,135,020
	<u>18,941,144</u>	<u>7,823,080</u>	<u>8,821,144</u>	<u>7,823,080</u>

The fair values of term loans were 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 were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

19. Deferred income on government grants

Group

	2019 RM	2018 RM
Balance at 1 July	1,734,608	1,629,946
Grants related to property, plant and equipment	0	515,000
Amortisation	(436,089)	(410,338)
Balance at 30 June	<u>1,298,519</u>	<u>1,734,608</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

20. Share capital

	No. of ordinary shares with no par value	RM
<u>Issued and fully paid</u>		
Balance at 1 July 2017	102,093,601	102,093,601
Reissue of treasury shares	0	10,306
Balance at 30 June 2018 / 30 June 2019	<u>102,093,601</u>	<u>102,103,907</u>

21. Non-controlling interests ("NCI")

Group	Accumulated NCI		Profit/(Loss) allocated to NCI	
	2019 RM	2018 RM	2019 RM	2018 RM
The 12 Avenues Sdn. Bhd.	14,123	14,990	(867)	(1,178)
Wirama Progresif Sdn. Bhd.	12,220	71,651	569	20,373
Micro Surface Treatment Sdn. Bhd.	480,465	397,571	137,894	190,045
	<u>506,808</u>	<u>484,212</u>	<u>137,596</u>	<u>209,240</u>

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

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest held by NCI		Principal activity
		2019	2018	
The 12 Avenues Sdn. Bhd.	Malaysia	30%	30%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	30%	30%	In the process of members' voluntary winding up
Micro Surface Treatment Sdn. Bhd.	Malaysia	10%	10%	Precision plating and surface treatment

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

22. Revenue

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:-				
- Sale of goods	127,860,612	137,730,395	0	0
- Rendering of services	5,785,903	5,795,106	2,198,705	1,455,100
- Property development	34,560,384	12,137,857	0	0
	168,206,899	155,663,358	2,198,705	1,455,100
Other sources of revenue:-				
- Dividend income	0	0	16,196,927	8,774,442
- Rental income	940,989	946,552	0	0
	940,989	946,552	16,196,927	8,774,442
	169,147,888	156,609,910	18,395,632	10,229,542

Disaggregation of revenue from contracts with customers

Group

	Operating segments (Note 30)			
	Manufacturing RM	Property development RM	Other operating segments RM	Total RM
<u>2019</u>				
Major products/services:-				
- Precision tooling and equipment	18,576,486	0	0	18,576,486
- Precision components and mechatronic	94,270,599	0	0	94,270,599
- Metal fabrications	16,466,672	0	0	16,466,672
- Properties under development	0	34,560,384	0	34,560,384
- Others	0	0	4,332,758	4,332,758
	129,313,757	34,560,384	4,332,758	168,206,899
Geographical areas:-				
- Malaysia	74,261,509	34,560,384	4,152,219	112,974,112
- Singapore	21,898,786	0	0	21,898,786
- United States of America	14,176,604	0	66,144	14,242,748
- Others	18,976,858	0	114,395	19,091,253
	129,313,757	34,560,384	4,332,758	168,206,899
Timing of revenue recognition:-				
- Over time	4,622,050	34,560,384	1,163,853	40,346,287
- At a point in time	124,691,707	0	3,168,905	127,860,612
	129,313,757	34,560,384	4,332,758	168,206,899

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

22. Revenue (cont'd)

Disaggregation of revenue from contracts with customers (cont'd)

	Operating segments (Note 30)			
	Manufacturing	Property	Other operating	Total
	RM	development	segments	RM
		RM	RM	
<u>2018</u>				
Major products/services:-				
- Precision tooling and equipment	20,241,346	0	0	20,241,346
- Precision components and mechatronic	112,622,244	0	0	112,622,244
- Metal fabrications	7,538,743	0	0	7,538,743
- Properties under development	0	12,137,857	0	12,137,857
- Others	0	0	3,123,168	3,123,168
	<u>140,402,333</u>	<u>12,137,857</u>	<u>3,123,168</u>	<u>155,663,358</u>
Geographical areas:-				
- Malaysia	87,343,626	12,137,857	3,123,168	102,604,651
- Singapore	25,271,998	0	0	25,271,998
- United States of America	20,734,777	0	0	20,734,777
- Others	7,051,932	0	0	7,051,932
	<u>140,402,333</u>	<u>12,137,857</u>	<u>3,123,168</u>	<u>155,663,358</u>
Timing of revenue recognition:-				
- Over time	4,699,664	12,137,857	1,095,442	17,932,963
- At a point in time	135,702,669	0	2,027,726	137,730,395
	<u>140,402,333</u>	<u>12,137,857</u>	<u>3,123,168</u>	<u>155,663,358</u>

Company

Information about disaggregation of revenue has not been disclosed as the Company derives revenue mainly from rendering management services to subsidiaries.

23. Impairment gains/(losses) on financial assets

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables from contracts with customers	452,396	(398,062)	0	0
Other receivables	1,162,090	0	0	0
Amounts due from subsidiaries	0	0	1,150,723	321,011
	<u>1,614,486</u>	<u>(398,062)</u>	<u>1,150,723</u>	<u>321,011</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

24. Profit before tax

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	202,500	195,428	33,000	31,000
- Prior year	(16,900)	(3,600)	3,000	2,000
Depreciation of investment properties	0	24,336	0	0
Depreciation of property, plant and equipment	6,423,152	6,133,019	66,639	63,286
Employee benefits expense (Note 25)	42,581,447	37,076,851	4,033,173	3,486,108
Fair value losses on financial instruments mandatorily measured at fair value through profit or loss	184,797	50,674	0	0
Fee expense for financial instruments not measured at fair value through profit or loss	180,495	426,541	22,455	76,184
Impairment loss on property, plant and equipment ^(a)	834,641	0	0	0
Interest expense for financial liabilities measured at amortised cost	462,144	215,179	182,335	184,978
Loss on foreign exchange:-				
- Realised	0	1,607,915	0	0
- Unrealised	66,602	0	0	0
Property, plant and equipment written off	2,353	413,714	0	0
Rental expense	395,710	411,310	149,490	149,490
and crediting:-				
Amortisation of deferred income on government grants	436,089	410,338	0	0
Gain on disposal of investment properties	623,941	0	0	0
Gain on disposal of property, plant and equipment	132,971	168,582	0	0
Gain on dissolution of subsidiary	0	375,206	0	0

^(a) Included in administrative and general expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

24. Profit before tax (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Gain on foreign exchange:-				
- Realised	300,849	0	0	0
- Unrealised	0	386,760	0	0
Interest income for financial assets measured at amortised cost	<u>899,948</u>	<u>488,633</u>	<u>147,041</u>	<u>1,053,001</u>

25. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company:-				
- Fees	22,500	22,500	22,500	22,500
- Other short-term employee benefits	1,224,394	1,053,496	1,187,951	1,012,853
- Defined contribution plans	98,194	105,694	96,304	103,081
	<u>1,345,088</u>	<u>1,181,690</u>	<u>1,306,755</u>	<u>1,138,434</u>
Directors of subsidiaries:-				
- Fees	4,472	6,847	0	0
- Other short-term employee benefits	742,526	409,663	742,526	409,663
- Defined contribution plans	88,900	49,014	88,900	49,014
	<u>835,898</u>	<u>465,524</u>	<u>831,426</u>	<u>458,677</u>
Other employees:-				
- Short-term employee benefits	37,191,869	32,670,764	1,720,492	1,702,413
- Defined contribution plans	3,208,592	2,758,873	174,500	186,584
	<u>40,400,461</u>	<u>35,429,637</u>	<u>1,894,992</u>	<u>1,888,997</u>
	<u>42,581,447</u>	<u>37,076,851</u>	<u>4,033,173</u>	<u>3,486,108</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

26. Tax expense

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax based on results for the year:-				
- Current tax	6,158,877	5,309,403	80,000	120,000
- Deferred tax	<u>429,000</u>	<u>(97,000)</u>	<u>0</u>	<u>0</u>
	6,587,877	5,212,403	80,000	120,000
Tax (over)/under provided in prior year:-				
- Current tax	(12,715)	264,857	16,340	31,533
- Deferred tax	<u>(196,000)</u>	<u>(12,000)</u>	<u>0</u>	<u>0</u>
	<u>6,379,162</u>	<u>5,465,260</u>	<u>96,340</u>	<u>151,533</u>

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	4.69	6.93	0.94	7.54
Non-taxable income	(0.59)	(0.72)	(26.48)	(29.92)
Tax incentives claimed	(0.65)	(3.42)	0.00	0.00
Effect of differential tax rates	(0.28)	0.00	0.00	0.00
(Decrease)/Increase in unrecognised deferred tax assets	<u>(1.27)</u>	<u>0.85</u>	<u>2.09</u>	<u>0.08</u>
Average effective tax rate	<u>25.90</u>	<u>27.64</u>	<u>0.55</u>	<u>1.70</u>

27. Earnings per share

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:-

	2019 RM	2018 RM
Profit for the financial year attributable to owners of the Company (RM)	<u>18,921,277</u>	<u>13,183,598</u>
Number of shares in issue as at 1 July	102,093,601	102,038,601
Effect of shares reissued	<u>0</u>	<u>18,383</u>
Weighted average number of shares in issue	<u>102,093,601</u>	<u>102,056,984</u>
Basic earnings per share (sen)	<u>18.53</u>	<u>12.92</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

28. Notes to statement of cash flows

Term loans

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Balance at 1 July	7,823,080	10,275,450	7,823,080	8,586,337
Drawdowns	17,600,000	0	2,000,000	0
Repayments	(6,481,936)	(2,445,208)	(1,001,936)	(763,257)
Other changes	0	(7,162)	0	0
Balance at 30 June (Note 18)	<u>18,941,144</u>	<u>7,823,080</u>	<u>8,821,144</u>	<u>7,823,080</u>

Short-term loans and borrowings

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Balance at 1 July	2,202,350	1,932,300	2,000,000	0
Net cash flow changes	920,513	266,040	(2,000,000)	2,000,000
Currency translation differences	0	4,010	0	0
Balance at 30 June (Note 18)	<u>3,122,863</u>	<u>2,202,350</u>	<u>0</u>	<u>2,000,000</u>

29. Related party disclosures

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,993,892	1,552,920	1,952,977	1,505,430
- Defined contribution plans	187,094	161,908	185,204	159,295
	<u>2,180,986</u>	<u>1,714,828</u>	<u>2,138,181</u>	<u>1,664,725</u>
Capital repayment from subsidiary	0	0	0	400,000
Dividends received from subsidiaries	0	0	16,196,927	8,774,442
Interest charged by subsidiaries	0	0	0	8,800
Interest charged to subsidiaries	0	0	0	1,003,300
Purchase of goods from other related party ^(a)	1,394,494	1,439,652	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

29. Related party disclosures (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Rendering of services to subsidiaries	0	0	2,198,705	1,455,100
Rental charged by other related party ^(a)	247,698	247,698	149,490	149,490
Sale of development properties to other related parties ^(b)	1,368,000	0	0	0
Subscription for shares in subsidiaries	0	0	19,998	23,900,000

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

^(b) Being family members of certain directors

30. Segment reporting

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 and gas production and extraction equipment
- (ii) Property development - Property development and property management

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 2019

30. Segment reporting (cont'd)

2019

STATEMENT OF FINANCIAL POSITION

Segment assets	Manufacturing RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
	125,136,215	91,141,215	14,951,707	145,731,389	(132,017,729)	244,942,797
Included in the measure of segment assets are:-						
- Additions to non-current assets	19,567,436	151,884	31,888	215,655	0	19,966,863
Segment liabilities	39,860,612	27,958,456	2,593,867	13,787,642	(17,293,462)	66,907,115
STATEMENT OF COMPREHENSIVE INCOME						
Segment profit	17,713,725	2,842,164	391,813	15,669,598	(17,558,427)	19,058,873
Included in the measure of segment profit are:-						
- External revenue	129,313,757	34,560,384	5,273,747	0	0	169,147,888
- Intersegment revenue	9,972,866	0	2,588,734	34,237,426	(46,799,026)	0
- Impairment gains on financial assets	452,396	0	0	1,162,090	0	1,614,486
- Interest income	502,200	153,093	70,216	177,114	(2,675)	899,948
- Non-cash income	436,089	0	0	0	0	436,089
- Interest expense	279,809	2,675	0	182,335	(2,675)	462,144
- Depreciation	5,557,506	304,476	490,933	70,237	0	6,423,152
- Other non-cash expenses	907,582	0	0	0	0	907,582
- Share of joint venture's loss	0	0	0	0	3,689	3,689
- Tax expense	4,854,651	1,015,721	402,337	106,453	0	6,379,162

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

30. Segment reporting (cont'd)

2018

STATEMENT OF FINANCIAL POSITION

Segment assets	Manufacturing RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
	111,560,377	72,640,616	16,730,397	133,019,312	(124,031,911)	209,918,791
Included in the measure of segment assets are:-						
- Additions to non-current assets	4,674,984	443,362	46,819	12,165	0	5,177,330
Segment liabilities	22,525,419	13,551,201	2,324,530	22,417,662	(9,984,945)	50,833,867
STATEMENT OF COMPREHENSIVE INCOME						
Segment profit/(loss)	17,598,191	(1,260,989)	506,006	6,740,401	(10,190,771)	13,392,838
Included in the measure of segment profit/(loss) are:-						
- External revenue	140,402,333	12,137,857	4,069,720	0	0	156,609,910
- Intersegment revenue	0	0	1,486,816	25,590,102	(27,076,918)	0
- Impairment gains/(losses) on financial assets	(452,396)	0	54,334	0	0	(398,062)
- Interest income	320,256	8,809	55,506	1,107,362	(1,003,300)	488,633
- Non-cash income	1,172,304	0	0	0	0	1,172,304
- Interest expense	39,001	548,257	0	222,687	(594,766)	215,179
- Depreciation	5,329,203	245,631	508,407	74,114	0	6,157,355
- Other non-cash expenses	1,246,153	409,460	0	0	0	1,655,613
- Tax expense/(income)	5,321,287	(287,000)	212,037	218,936	0	5,465,260

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

30. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	147,631,092	103,551,202	110,515,059	95,744,287
Singapore	8,208,377	25,271,998	0	0
United States of America	4,699,393	20,734,777	0	0
Others	8,609,026	7,051,933	0	0
	<u>169,147,888</u>	<u>156,609,910</u>	<u>110,515,059</u>	<u>95,744,287</u>

Major Customers

The Group did not have any major customer that contributed 10% or more of its total revenue for the financial year ended 30 June 2019. For the financial year ended 30 June 2018, there was 1 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 RM26,777,678.

31. Contractual commitments

Group

	2019 RM	2018 RM
Purchase of property, plant and equipment	<u>8,125,000</u>	<u>14,400,000</u>

32. Financial guarantee contracts

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM38,270,000 (2018 : RM64,898,000). The total utilisation of these credit facilities as at 30 June 2019 amounted to RM14,355,000 (2018 : RM1,314,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.14. 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.

33. Dividend

A final single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2019 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

34. 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 contracts 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 32.

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. The quantitative information about such credit risk exposure is disclosed in Note 10. As the Group only deals with reputable financial institutions, the credit risk associated with derivative contracts and deposits placed with them is low.

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 in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD"), and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Group Denominated in USD	
	2019 RM	2018 RM
Receivables	13,240,580	13,211,262
Cash and cash equivalents	2,317,327	3,788,849
Payables	1,680,595	1,719,485
Loans and borrowings	<u>2,322,863</u>	<u>202,350</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

34. Financial risk management (cont'd)

Currency risk (cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in profit 2019 RM	Increase/ (Decrease) in profit 2018 RM
Appreciation of USD against RM by 10%	878,216	1,146,761
Depreciation of USD against RM by 10%	<u>(878,216)</u>	<u>(1,146,761)</u>

Interest rate risk

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

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

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

	Group		Company	
	Increase/ (Decrease) in profit 2019 RM	Increase/ (Decrease) in profit 2018 RM	Increase/ (Decrease) in profit 2019 RM	Increase/ (Decrease) in profit 2018 RM
Increase in interest rates by 50 basis points	(94,706)	(49,085)	(44,106)	(49,085)
Decrease in interest rates by 50 basis points	<u>94,706</u>	<u>49,085</u>	<u>44,106</u>	<u>49,085</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

35. 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 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:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total loans and borrowings	22,064,007	12,019,276	8,821,144	11,816,926
Total equity	<u>178,035,682</u>	<u>159,084,924</u>	<u>132,245,804</u>	<u>117,663,275</u>
Total capital	<u>200,099,689</u>	<u>171,104,200</u>	<u>141,066,948</u>	<u>129,480,201</u>
Debt-to-equity ratio	<u>12.39%</u>	<u>7.56%</u>	<u>6.67%</u>	<u>10.04%</u>

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

SHAREHOLDING STATISTIC

AS AT 30 JUNE 2019

Issued Share Capital	:	102,093,601 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	570	17.12	38,201	0.04
100 - 1,000	202	6.07	93,984	0.09
1,001 - 10,000	2,181	65.49	7,212,278	7.06
10,001 - 100,000	336	10.09	8,783,584	8.60
100,001 - 5,104,679*	38	1.14	31,837,344	31.19
5,104,680 and above **	3	0.09	54,128,210	53.02
TOTAL	3,330	100.00	102,093,601	100.00

SUBSTANTIAL SHAREHOLDERS

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	—	—
Premiergrow Capital Sdn. Bhd.	7,939,000	7.78	—	—
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	27,236,260 [#]	26.68

DIRECTORS' & PERSON CONNECTED TO THE DIRECTOR'S 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	27,236,260 [#]	26.68
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

** 5% and above of the issued share capital of 102,093,601 shares

[^] Deemed interest by virtue of shares held by company in which the director has interest

[#] 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

SHAREHOLDING STATISTIC

AS AT 30 JUNE 2019

THIRTY (30) LARGEST SHAREHOLDERS (AS AT 30 SEPTEMBER 2019)

	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.	Premiergrow Capital Sdn. Bhd.	7,939,000	7.78
4.	Norinv Kapital Sdn. Bhd.	6,554,400	6.42
5.	Ch'ng Chuon Ghee	4,664,650	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.	2,386,550	2.34
9.	Ng Mun Fye	2,049,800	2.01
10.	Ooi Ruey Yng	1,745,400	1.71
11.	Koay Cheng Lye	1,588,492	1.56
12.	Ooi Ruey Yng	1,434,000	1.40
13.	Tan Lai Hock	1,102,000	1.08
14.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt an for DBS Bank Ltd (SFS)	909,300	0.89
15.	Tan Jin Tuan	888,900	0.87
16.	Tan Jin Tuan	879,000	0.86
17.	Koay Ah Bah @ Koay Cheng Hock	854,497	0.84
18.	CITIGroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	793,800	0.78
19.	Lai Chin Loy	729,900	0.71
20.	Cartaban Nominees (Tempatan) Sdn. Bhd. ICapital. Biz Berhad	683,000	0.67
21.	Teh Jia Shyann	539,600	0.53
22.	Koay Wooi Seong	475,875	0.47
23.	Koay Wooi Tatt	475,875	0.47
24.	Koay Ah Bah @ Koay Cheng Hock	472,500	0.46
25.	Ch'ng Chuon Ghee	396,100	0.39
26.	Sapiah Binti Abu	243,750	0.23
27.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tan Choon Keat	240,000	0.23
28.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Kho Ping	200,000	0.19
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Lee Chin Ark	200,000	0.19
30.	Rajan Bhatt @ Achai	197,100	0.19
TOTAL :		83,442,604	81.73

LIST OF PROPERTIES

AS AT 30 JUNE 2019

Location	Description/ Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @ 30.6.19 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/ (24 years)	6,820
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/ (19 years)	6,338
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/ (28 years)	5,217
HS(D) No. 42050, PT 5, Mukim 1, Daerah Seberang Prai 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/ (26 years)	702
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/ (8 years)	4,608
GRN24324, Lot No. 2628, Sek 4, Daerah Seberang Prai Utara, Butterworth, Pulau Pinang No. 1, Lorong Bagan Luar, 12000 Butterworth, Pulau Pinang	8 storey hotel building	Approx. 4,305 sq. ft. (36,822 sq. ft.)	06.01.2011	Freehold/ (37 years)	4,054
HS(D) No. 33005, PT 1529, Mukim 1, Daerah Seberang Prai Tengah, Pulau Pinang 2478, Lorong Perusahaan 10, Phase 3, Prai Industrial Estate, 13600 Pulau Pinang	Single storey factory with an annexed two storey office block in front	Approx. 203,259 sq. ft. (127,650 sq. ft.)	14.03.2018	Leasehold for 60 years expiring on 17.12.2045/ (31 years)	16,705

LIST OF PROPERTIES (CONT'D)
AS AT 30 JUNE 2019

Location	Description/ Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @ 30.6.19 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	14,009
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	13,879
GM 654, Lot 1672, Mukim 12, Daerah Barat Daya, Pulau Pinang	Vacant land for future development	Approx. 40,156 sq. ft.	11.09.2015	Freehold	
GM3427, Lot 71125, Mukim 12, Daerah Barat Daya, Pulau Pinang	Vacant land for future development	Approx. 16,910 sq. ft.	24.04.2015	Freehold	
GM137, Lot 451, Mukim 11, Daerah Barat Daya, Pulau Pinang	1/3 undivided shares of the Land	Approx. 26,165 sq. ft.	17.08.2018	Freehold	1,141

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	8,987
GM652, Lot 1670, Mukim 12, Daerah Barat Daya, Pulau Pinang	43,124 sq. ft	Freehold	2,000

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