

EFFECTIVE OPTIMISING
PASSIONATELY PROFESSIONALISM
LEADERSHIP
SUSTAINABILITY CONSTANT
PROFITABILITY INNOVATIVE
ENGAGING
ETHICAL **CREATING**
RESPONSIBILITY SYNERGY
POSITIVE
VISIONARY SHAREHOLDER CREATIVE
VALUE
ANNUAL REPORT
2020
INSPIRING
INTEGRITY ETHICS FOCUS
EXCELLENCE GROWTH DRIVEN
TEAMWORK STRENGTH
COMPETITIVE
ENRICHING PRODUCTIVITY
COMMITMENT

WE ARE GUIDED BY OUR

ACTIONS

WHICH UNDERLIE THE
CULTURE OF THE
KOBAY GROUP OF
COMPANIES.

A gility
C an-Do Attitude
T eamwork
I nitiative and Accountability
O wnership and Pride
N ever Stop Learning
S peed of Response

our Vision

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

our Mission

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

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

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

our Values & Beliefs

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

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CORPORATE INFORMATION

Board of Directors

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

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

Koay Cheng Lye
Executive Director / Chief Administrative Officer

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

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 : agriteumshareg@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
Alliance Bank Malaysia Berhad
CIMB Islamic Bank Berhad
Ambank (M) Berhad
Public Bank Berhad

Stock Exchange Listing

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth (26th) 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, 26 November 2020 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 2020 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of first and final single tier dividend of 6.0 sen in respect of the financial year ended 30 June 2020. Resolution 1
3. To retain Dr. Mohamad Zabdi Bin Zamrod as Independent and Non-executive Director in accordance with Malaysian Code of 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 Koay Cheng Lye as Company Director, who retires in accordance with Article 101 of the Company's Constitution. Resolution 4
6. To re-elect Koay Ah Bah @ Koay Cheng Hock as Company Director, who retires in accordance with Article 101 of the Company's Constitution. 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 2020 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, 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)

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 Authority 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) & 340(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 Buyback Authority with full powers to assent to any conditions, modifications, revaluations, 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 Part B Section 2.4 of the Circular to Shareholders of Kobay dated 28 October 2020 ("Proposed Shareholders' Mandate");

THAT disclosure of the breakdown of the aggregate value of transactions conducted will be made based on the type of RRPTs made, names of the related parties involved in each type of the RRPTs made and their relationship with the Company, in the annual report of the Company during the current financial year and in the annual report for the subsequent financial year during which the Proposed Shareholders' Mandate is in force;

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) & 340(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)

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. 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-Sixth (26th) Annual General Meeting, the first and final single tier dividend of 6.0 sen per ordinary share in respect of the financial year ended 30 June 2020 will be paid on 20 January 2021 to depositors registered in the Records of Depositors on 31 December 2020.

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 2020 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

WONG MEE CHOON (MACS 01562)
SSM Practising No. 201908001211

CHAN MUN SHEE (MAICSA 7003071)
SSM Practising No. 202008002208
Company Secretaries

Penang, 28 October 2020

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 19 November 2020. Only a depositor whose name appears on the Record of Depositors as at 5.00 p.m. on 19 November 2020 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy/(ies) to attend and vote on his stead.
3. The instrument of appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or the appointer is a corporation, either under the corporation's seal, or under the hand of the attorney or duly authorized officer.
4. If a member appoints 2 proxies, the appointment will be invalid unless he states the percentage of his shareholding to be represented by each proxy.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3rd Floor, Wisma Kobay, No.42-B, Jalan Rangoon, 10400 Georgetown, Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post or fax to (04)-2261363. In the case where the member is a corporation and the proxy form is delivered by fax, the original form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES :

Resolution 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 13 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 10 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 Senior 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 2020 as required under Article 109 of the Company's Constitution.

Resolution 8

A mandate was sought and approved by the members during the Twenty-fifth (25th) AGM held on 21 November 2019. 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 best 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 total issued share capital of the Company, excluding treasury shares retained by the Company at any given point in time. This authority unless revoked or varied at the general meeting, will expire at the next AGM. The details of this proposal are set out in the Statement/Circular to Shareholders dated 28 October 2020.

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 Statement/Circular to Shareholders dated 28 October 2020.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

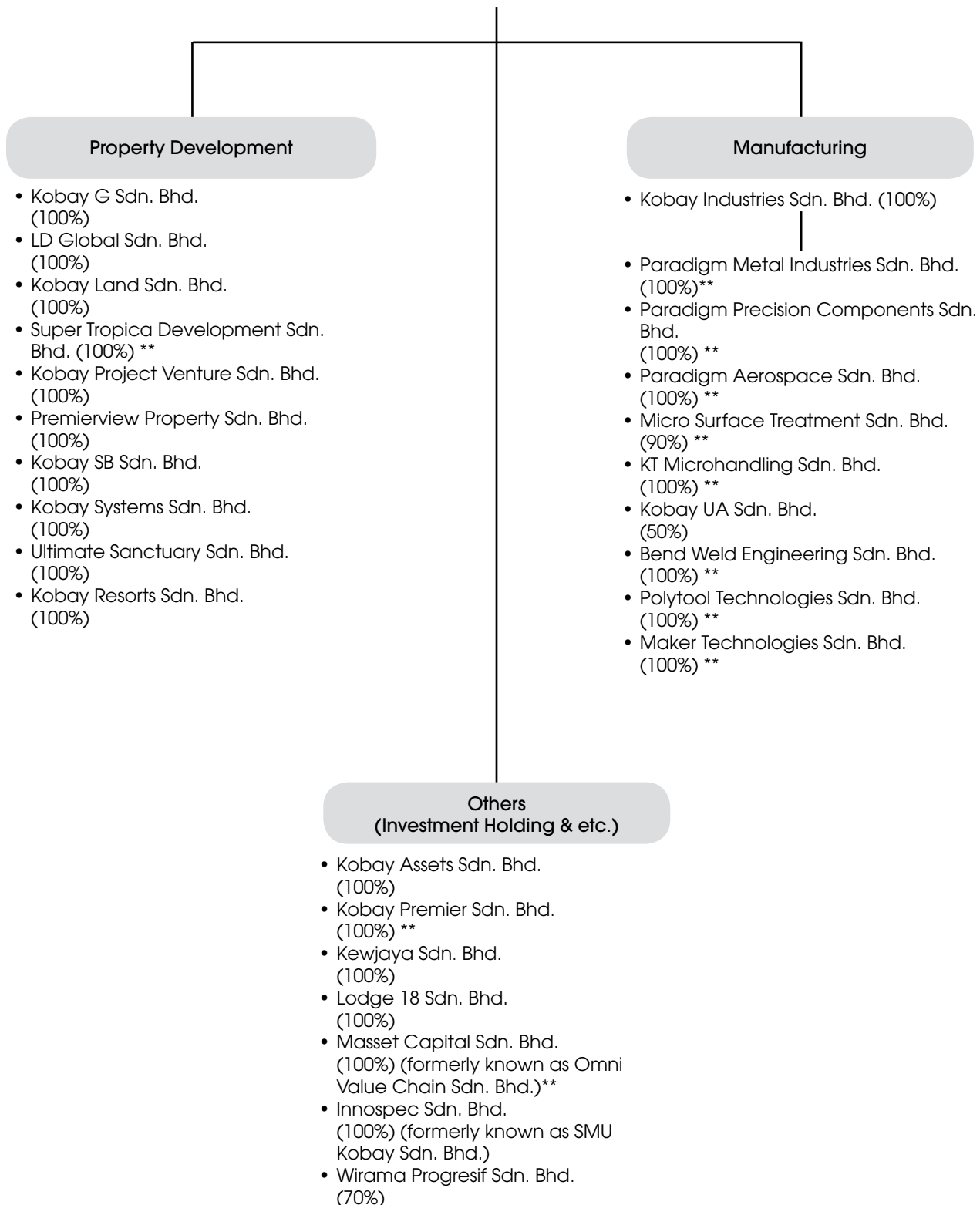
The profile of the Directors who are standing for re-appointment and re-election (as per Resolution 2-5 as stated in the Notice of Annual General Meeting) at the Twenty-Sixth (26th) Annual General Meeting of Kobay Technology Bhd. which will be held at 4th Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang on Thursday, 26 November 2020 at 2.30 p.m., are stated on page 9 &10 of the Annual Report 2020.

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 2020

KOBAY TECHNOLOGY BHD.



Notes :-

** Subsidiary of Kobay Industries Sdn. Bhd.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT

BOARD OF DIRECTORS

Dr. Mohamad Zabdi Bin Zamrod

Malaysian, aged 78, 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. In year 2017, Dr. Mohamad Zabdi had been conferred Pingat Kelakuan Terbaik (PKT) by Tuan Yang Terutama Pulau Pinang.

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.

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. Pursuant to the Malaysian Code on Corporate Governance, the retainment of Dr. Mohamad Zabdi as Independent Director of the Company is subject to members' approval in the forthcoming Annual General Meeting.

Dr. Mohamad Zabdi has no direct/indirect shareholding in Kobay as of 30 September 2020.

Dato' Seri Koay Hean Eng

Malaysian, aged 62, 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 precision tooling, die and mold making to semi-automated machines. His passion in high precision engineering industry has contributed significantly to the growth of Kobay Group.

Dato' Seri Koay Hean Eng completed numerous property projects ranging from residential apartment, landed and commercial properties in various parts of Penang. 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 was appointed to Kobay's Board on 17 September 1994. As the Group CEO, he is the driver of the Group's strategic direction as well as its business and corporate development.

He does not hold any directorship in other public companies and listed issuer.

As of 30 September 2020, Dato' Seri Koay Hean Eng has indirect shareholding of 33,432,980 ordinary shares in Kobay 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 72, Male

Executive Director/Chief Administrative Officer/Member of Executive Committee

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

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

Mr. Koay Cheng Lye is subject to retirement by rotation under Article 101 of the Company's Constitution at the forthcoming Annual General Meeting and being eligible, has offered himself for re-election.

As of 30 September 2020, Mr. Koay Cheng Lye has indirect shareholdings of 33,432,980 ordinary shares in Kobay 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 KEY SENIOR MANAGEMENT (CONT'D)

Koay Ah Bah @ Koay Cheng Hock

Malaysian, aged 74, 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 has gained in-depth experience and knowledge in mechanical engineering field through operating owned mechanical repair shop for more than 30 years. He also possessed more than 15 years of experience in property development industries and has completed numerous projects ranging from residential apartment, landed and commercial properties in Penang.

Mr. Koay Ah Bah @ Koay Cheng Hock is subject to retirement by rotation under Article 101 of the Company's Constitution at the forthcoming Annual General Meeting and being eligible, has offered himself for re-election.

As of 30 September 2020, Mr. Koay Ah Bah @ Koay Cheng Hock has indirect shareholdings of 33,432,980 ordinary shares in Kobay, via Kobay Holdings Sdn. Bhd., a major shareholder of the Company by virtue of his direct shareholding in Kobay Holdings Sdn. Bhd..

Khaw Eng Peng

Malaysian, aged 53, Male

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

Mr. Khaw Eng Peng is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. He joined Messrs. Coopers and Lybrand (now merged under the firm PricewaterhouseCoopers) in 1993 attaching to audit and compliance services division and he left in 1996 as Assistant Audit Manager. He then joined Oriental Interest Berhad ("OIB") Group as Senior Manager in Finance and Administration Department. In year 2001, he 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 Eng Peng 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.

After due consideration, both the Nominating Committee and the Board of Directors, for which Mr. Khaw Eng Peng has been abstained from voting, proposed to retain Mr. Khaw Eng Peng as Senior Independent Non-executive Director of the Company. Pursuant to the Malaysian Code on Corporate Governance, the retainment of Mr. Khaw Eng Peng as Independent Director of the Company is subject to members' approval in the forthcoming Annual General Meeting.

Mr. Khaw Eng Peng has no direct/indirect shareholding in Kobay as of 30 September 2020.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

KEY SENIOR MANAGEMENT

Koay Wooi Tatt

Malaysian, aged 43, 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 overseeing 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 in-depth experience in the entire Manufacturing Division of Kobay Group with his job rotation among the business units. 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.

Mr. Koay Wooi Tatt has no direct/indirect shareholding in Kobay as of 30 September 2020.

Koay Zee Ee

Malaysian, aged 33, 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 overseeing the entire operations for the Property Development Division.

He started his career as management trainee in Kobay Group in February 2006. In the same year, he was promoted to General Manager in Bend Weld Engineering Sdn. Bhd. ("BWE"), a wholly owned subsidiary of Kobay, responsible for managing the business unit that specializing in manufacturing of equipment and structures for the subsea oil and gas industry. He successfully built the foundation for 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 2020.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Yee San Khien, Philip
Malaysian, aged 66, Male
VP - Corporate Finance

Mr. Philip has vast experience in commercial banking when he served 22 years in the banking industry. He joined a local bank as a junior officer in 1978 and moved on to the bank's Treasury Department in 1981 as Correspondent Banking Officer and Dealer in Money Market and Foreign Exchange Department and headed the Department as Chief Dealer from 1983 to 1989. From April 1989, he moved on as senior manager in Branch Operation of the bank.

He left banking in August 2001 and joined Kobay Technology Bhd. as Corporate Manager in October 2001, responsible for corporate control and restructuring, mergers and acquisitions until his retirement from Kobay when he last served as VP-Commercial in August 2013.

From October 2013, he was in contractual engagement as the Chief Financial Officer of a fintech company operating E-payments gateway and providing remittance services regulated by Bank Negara Malaysia. He retired the contractual employment with the fintech company in September 2019.

Mr. Philip joined Kobay again in January 2020, as VP-Investment accountable for researching and analysing possible acquisitions and strategic investments. From July 2020, he assumed added portfolio in finance and treasury management for the Group of Companies.

He obtained his Higher Diploma in Accounting, Certificate in Commercial Law in 1978 and graduated from University of Portsmouth, United Kingdom with Master of Business Administration.

Save as his directorship in Kewjaya Sdn. Bhd., Philip has no directorship in any public companies and Kobay.

Mr. Philip has direct shareholding of 7,500 ordinary shares in Kobay as of 30 September 2020.

Chan Mun Shee
Malaysian, aged 55, Female
VP - in Investment Group and Investor Relation, Company Secretary

Ms. Chan Mun Shee first joined Polytool Engineering Sdn. Bhd. in year 1990 as Office Administrator in charge of purchasing, accounts and human resource function. Since then, Ms Chan liaison with numerous government authority in setting up several core subsidiary companies of Kobay Group. She then transferred back to holding company in 1996 as Corporate Affairs Manager reporting to Chief Administrative Officer (formerly known as Chief Corporate Affairs Officer) overseeing the Company's Human Resource, IT and all administrative functions and has assisted in drawing up the Group systems inclusive formulating Human Resource Policies and Procedures, participating in developing web purchasing software and maiden version of Enterprise Resource Management System.

With her qualification in ICSA, she was appointed as in house Company Secretary for the Group since 1996 and assist in floatation exercise of Kobay and its owned subsidiary, Lipo Corporation Berhad. In year 2013, she was transferred to assist the CEO in Group's assets management, projects and operational related matters. She was officially appointed as VP in year 2019 overseeing some investment entities of Kobay respectively involved in manufacturing, assets investment and management.

Recently, she has been elected and re-designated as Associate member of Chartered Secretary and Chartered Governance Professional by International Chartered Secretaries and Administrators of United Kingdom.

Save as her directorship in Kewjaya Sdn. Bhd., Massets Sdn. Bhd., Polytool Technologies Sdn. Bhd., Kobay Assets Sdn. Bhd. and Maker Technologies Sdn. Bhd., the subsidiary companies of Kobay, Ms. Chan has no directorship in any public companies and Kobay.

Ms. Chan Mun Shee has direct shareholding of 10,000 ordinary shares in Kobay as of 30 September 2020.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Chan Bee Luang

Malaysian, aged 42, Female

VP - People and Organizational Development

Ms. Chan Bee Luang joined the Company in 2012 as Group HR Manager and was subsequently appointed as the VP of People and Organizational Development in year 2018. She is responsible for leading our Group HR organization and HR operational excellence in all business divisions. She has over 17 years of HR experience in manufacturing and services industries. Prior to joining Kobay, she held APAC HR Manager and Country HR Manager positions in few multinational companies.

She was graduated from University Malaya with a Bachelor of Business Administration (Honours) Degree in year 2002. She was also a graduate with Diploma in Industrial Relations awarded by the International Labour Organization (ILO)/ Malaysian Employers Federation (MEF) in year 2006. She received the global accreditation from PI Worldwide from India, a Human Resource Certification Institute (HRCI) as Predictive Index Management Practitioner in year 2008. In year 2018, she was further certified as "HR practitioner" by The Australian Human Resources Institute (AHRI) through the Professional Certification in Human Resources that set the bar for HR practice to be in line with international HR standards and confidently assures employer of her human capital capability.

She has broad regional experience in talent acquisition, talent assessment and development, performance management, compensation planning, conflict mediation and resolution, HR budgeting and reporting, HR policies development, and employment legal compliance and has a proven track record in setting up, maintaining and executing Talent and Organizational Development.

Ms. Chan Bee Luang has direct shareholding of 10,000 ordinary shares in Kobay as of 30 September 2020.

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

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

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 2020

Four (4) board meetings were held during the financial year ended 30 June 2020. 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	2/4
Lim Swee Chuan (Resigned on 30.6.2020)	4/4
Khaw Eng Peng	4/4
Dr. Mohamad Zabdi Bin Zamrod	4/4

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

OTHER INFORMATION (CONT'D)

Directors' and Substantial Shareholders' Interests

Name	No. of shares held in Kobay as at 30.09.2020			
	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Directors				
Dato’ Seri Koay Hean Eng	–	–	33,432,980*	32.75
Koay Cheng Lye	–	–	33,432,980*	32.75
Koay Ah Bah @ Koay Cheng Hock	–	–	33,432,980*	32.75
Khaw Eng Peng	–	–	–	–
Dr. Mohamad Zabdi Bin Zamrod	–	–	–	–
Substantial Shareholders				
Kobay Holdings Sdn. Bhd. (“KHSB”)	33,432,980	32.75	–	–
Norinv Kapital Sdn. Bhd.	19,904,700	19.50	–	–
Premiergrow Capital Sdn. Bhd.	7,939,000	7.78	–	–

Notes:-

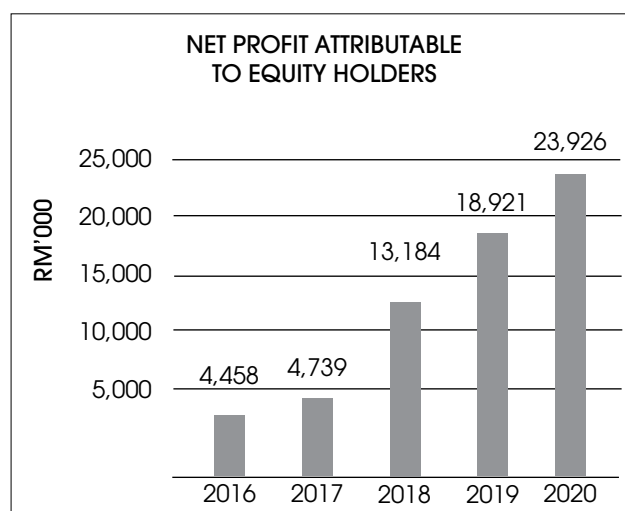
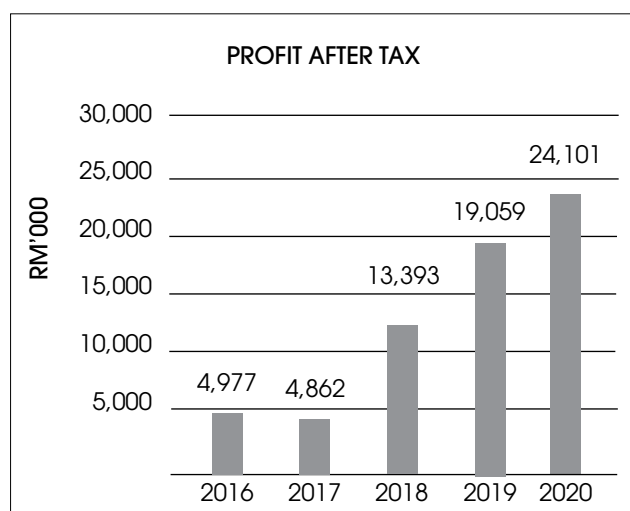
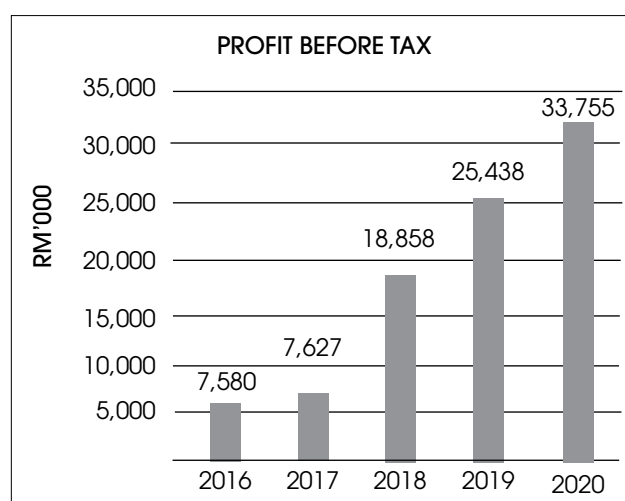
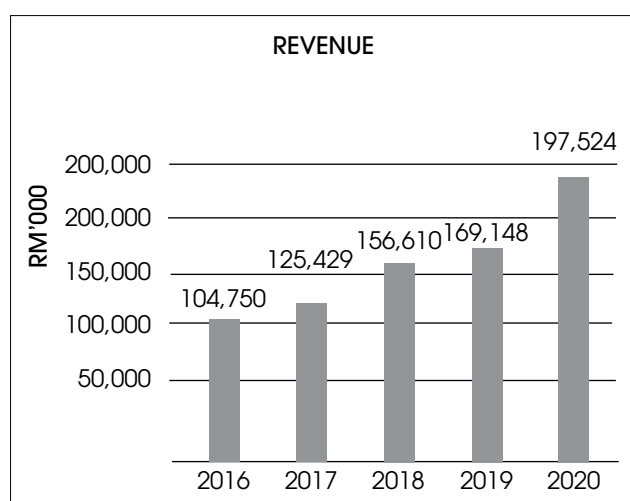
* Deemed interest by virtue of shares held by Kobay Holdings Sdn Bhd in the company in which the director has interest therein

By virtue of their interest in the shares in Kobay Holdings Sdn. Bhd., Dato' Seri Koay Hean Eng, Mr. Koay Cheng Lye and Mr. Koay Ah Bah @ Koay Cheng Hock are also deemed to have interests in shares in Kobay/the Company and all 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.

FINANCIAL HIGHLIGHTS

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Statement of Comprehensive Income					
Revenue	104,750	125,429	156,610	169,148	197,524
Profit before tax	7,580	7,627	18,858	25,438	33,755
Profit after tax	4,977	4,862	13,393	19,059	24,101
Net profit attributable to equity holders	4,458	4,739	13,184	18,921	23,926
Statement of Financial Position					
Total Assets	182,255	191,242	209,919	244,943	286,049
Total Borrowings	11,424	12,208	12,019	22,064	42,256
Equity attributable to owners of the Company	140,325	145,755	158,601	177,529	198,307
Financial Indicators					
Earning per share (sen)	4.38	4.65	12.92	18.53	23.44
Gearing ratio (%)	8.05	8.35	7.56	12.39	21.25
Net assets per share (RM)	2.06	1.43	1.56	1.74	1.95
Tax exempt dividend per share (sen)	–	–	–	3.00	6.00
Share price as at the financial year end (RM)	1.23	1.03	1.00	1.58	1.83
Price earning (PE) ratio as at financial year end (times)	28.08	22.15	7.74	8.53	7.81



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Kobay Technology Bhd. ("Kobay" or "The Company") would like to present to you this report which contains our financial and non-financial information during the period from 1 July 2019 to 30 June 2020. This report covers all of Kobay business in Malaysia, the country where we are operating.

Business Overview and Financial Review

Kobay Group of Companies involve in manufacturing, property development as well as some investment holding activities. Manufacturing Division is still the core activities of Kobay despite its diversification back in year 2016 to property development with the launching of its maiden project in Langkawi, Kedah.

Our Manufacturing Division which is the main revenue and profit contributor to Kobay Group, is in the business of manufacture and providing solutions on engineering products to semiconductor, electronics and electrical, aerospace, oil and gas, medical and other industries. Manufacturing Division engages in high precision engineering and manufacturing processes, providing one-stop engineering solutions not only to multinational corporations operating in Malaysia, but also to customers in Europe, North American and Asia Pacific.

In sustaining its Manufacturing Division performance, our management has focused to expand the industries where our products or services able to support beside defending our foothold in semiconductor and electronic and electrical industries where we have served for approximately 36 years since establishment in year 1984. Despite our aim to diversify to service in other industries, the management also continuously move up the value chain and find our niche positioning to grow.

Although it took the Group to take approximately 3 – 5 years to successfully venture into any new industries inclusive certification required and qualification by potential customers, the Group will continue to venture new industries to cushion our performance should any of the industries is badly hit due to unforeseen circumstances, for example travelling industries during this global Covid 19 Pandemic.

We are servicing our local and overseas customers from various manufacturing facilities located in Bayan Lepas, Perai and Pontian. During the financial year, the Division has completed its manufacturing facilities consolidation plan in the 4th quarter of FY2020 moving out from its Bayan Lepas, Penang Island plant of approximately 78,000 sq. ft. to the new plant at mainland, Seberang Perai, with a land area 100,000 sq. ft. to cater for future expansion. This move is to ease the management of our manufacturing facilities whereby the new plant is adjacent to another manufacturing facilities that occupied by one of our subsidiary, Paradigm Metal Industries Sdn. Bhd.. With the consolidation, we will be able to serve our customer's requirements from precision components manufacturing up to high level assembly needs in a one-stop basis.

Manufacturing Activities	Location	Company Operating
Precision Components, Sheet Metal, Metal Stamping and High Level Assembly	Perai, Penang	Paradigm Aerospace Sdn. Bhd. Paradigm Precision Components Sdn. Bhd. Paradigm Metal Industries Sdn. Bhd. KT Microhandling Sdn. Bhd. Micro Surface Treatment Sdn. Bhd.
Oil and Gas Fabricator	Pontian, Johor	Bend Weld Engineering Sdn. Bhd.
High Precision Tooling and Machining	Bayan Lepas, Penang	Polytool Technologies Sdn. Bhd.

As the Covid 19 Pandemic first hit China in November 2019 then globally, the Group is impacted by the supply chain disruption especially in the oil & gas and aerospace industries that the Group is servicing and the market demand for these two industries have been dropped since March 2020.

With Covid 19 Pandemic still existing and nobody able to predict when it ends, the Group has slowed down the capital investment plan and implemented cost control measure to ensure the Group able to sail through this crisis. Most of our businesses have tighten their budget in unnecessary expenses.

The Group has committed and invested the sum in capital expenditure respectively in FYE 2019 and FYE 2020.

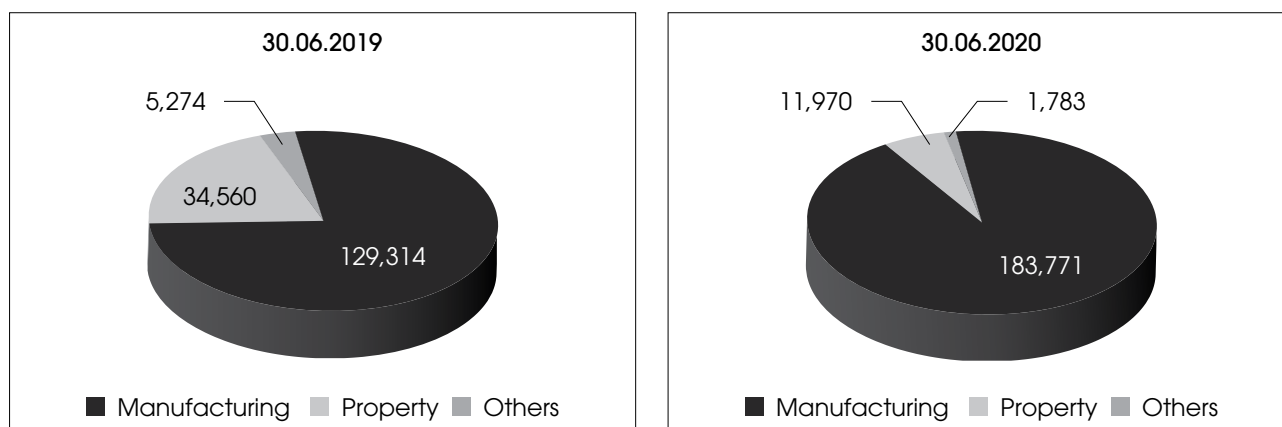
Financial year ended	30.06.2019	30.06.2020
Capital Expenditure Sum Invested	RM19.9million	RM22.1million

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Business Overview and Financial Review (cont'd)

The Group incurred RM22 million in property, plant and equipment in FY2020, mainly for the new factory renovation and machinery. Moving forward, the Group has shelved all related capital expenditure commitment for FYE 2021 and will review the necessity on a case to case basis when it is arise until this crisis reach a more stabilizing stage.

Overall, Manufacturing Division still the core contributor to the Group's sales revenue and profit stream. During FYE 2020, Manufacturing Division has contributed approximately 93.06% of the total revenue vs 76.45% recorded in FYE 2019.



RM'000s	FYE 30.06.2019	FYE 30.06.2020
Manufacturing	129,314 (76.45%)	183,771 (93.04%)
Property Development	34,560 (20.43%)	11,970 (6.06%)
Others	5,274 (3.12%)	1,783 (0.90%)
TOTAL	169,148 (100%)	197,524 (100%)

The Group is able to sustain the local businesses, however the Covid 19 Pandemic has significantly impacted those overseas market sales from the European countries and USA where most of the aerospace and oil and gas industries customers are located.

The management is mindful to keep defending our businesses in order to sustain through this crisis by implementing cautious yet aggressive plan to move up the value chain in the coming financial years.

In year 2017, the Property Development Division has launched its maiden project, Lavanya Residences in Langkawi, Kedah, which had won the first accolade from STAR Property Award for in Best Boutique Development category. In July 2019, we have completed the Lavanya Residences Phase 1 and has handed over CCC to our buyers.

To be a social responsible property developer, the Division committed that all its projects are built to achieve a Quality Assessment System in Construction ("QLASSIC") score of not less than 75%. This had been achieved in the recent completed Phase 1 Lavanya Residences with the score at 83% for the 37 units Serviced Villas.

The Division will continue to strive to achieve more recognitions in property development industry and to become one of the well-known property developers in Malaysia.

Despite of this Covid 19 Pandemic, we are glad to see the confidence of our buyer in our Lavanya Residences project through Phase 2 launching since 2018. The Phase 2 consists of two blocks of high rise buildings respectively one block of service apartment and one block of service studio with a total GDV of RM244 million.

Property Development Division was performing lower compared to FYE 2019 due to the potential buyer's contact with our sales personnel are controlled under Health Ministry's SOP that limiting the face-to-face meeting or exhibition, hence we have took an alternate approach to market the product online.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Business Overview and Financial Review (cont'd)

The management acknowledged and is fully aware of the current soft market condition for property development. The management will exercise its prudence and cautious stand when dealing with any forthcoming land acquisition and project launching.

Currently, the Division has a list of upcoming property development projects with individual status of those projects as listed below.

No	Description	Location	Land Area (acres)	Business Mode	Status
1	Phase 2 Lavanya Residences – 223 units Serviced Apartment & Studio	Langkawi, Kedah	1.44	Owned	Under construction. Target completion: July 2022
2	Affordable Apartment	Sg. Batu, Penang	1.80	Owned	Under design & planning. Target launch: CY 2021
3	Mixed Development	Sg. Nibong, Penang	3.05	Owned & JV	Under design & planning. Target launch: CY 2022
4	Mixed Development	Bkt. Mertajam, Penang	6.86	JV	Under design & planning. Target launch: CY 2023
5	Serviced Apartment	Tg. Bungah, Penang	1.54	Owned	Under design & planning. Target launch: CY 2024
6	Residential Development	Lumut, Perak	19.50	JV	Under design & planning.
TOTAL			39.68		

On the hospitality business under other segment, it has been affected by Covid 19 Pandemic. However the impact was insignificant onto the Group performance.

The revenue and profit after tax recorded for FYE 2019 and FYE 2020 respectively are illustrated as per the table below.

	Revenue			Profit After Taxation		
	2020	2019	+/-	2020	2019	+/-
<u>Division</u>	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
Manufacturing	183.8	129.3	54.5	26.8	17.7	9.1
Property Development	11.9	34.5	-22.6	-0.3	2.8	-3.1
Other segments	1.8	5.3	-3.5	0.7	1.5	-0.8
Consolidation eliminations	0	0	0	-3.1	-3.0	0.1
Total	197.5	169.1	28.4	24.1	19.0	5.1

Amidst the backdrop of challenging market conditions due to the COVID-19 Pandemic, the Group reported a total revenue of RM197.5 million in FY2020 which was 16.7% or RM28.4 million higher than the RM169.1 million recorded in the FY2019. This improvement in revenue was driven by increases in revenue from Manufacturing Division.

Manufacturing Division remains as the main pillar and core contributor to the Group's results with revenue of RM183.8 million and profit after tax of RM26.8 million. Contribution to the manufacturing's revenue by geographical areas was as follows: Local 68%, Singapore 11%, USA 9% and others 12%.

Compared to preceding year, the Division delivered strong revenue growth of 42.1% and correspondingly increase its net profit by 51.4%, mainly due to surge in demand in electronics business sector. However, the adverse conditions in the commercial aerospace market and collapse in oil prices associated with the effects of COVID-19 Pandemic have brought negative impact to the Division in 2nd half of FY2020.

Property Development Division reported revenue of RM11.9 million and loss after tax of RM0.3 million in FY2020 as compared to revenue of RM34.5million and profit after tax of RM2.8 million in FY2019. The Division's revenue was affected by oversupply of properties and stringent credit control policies adopted by financial institutions on approval of housing loan. Moreover, the Covid-19 outbreak has delayed the piling progress of Phase 2, Lavanya Residences, Langkawi, and also caused a decline in foreign purchasers following the travel restriction imposed by Malaysia. The Division also written off certain development cost amounted to RM1.7 million as a result of change in development plan.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Business Overview and Financial Review (cont'd)

For the financial year under review, the Group's financial positions remain healthy. Cash generated from operations have improved, with bank borrowing of RM42.2 million to meet the Group's working capital and expansion needs for manufacturing activities. The net gearing ratio for FY2020 recorded at 21.3%.

The total equity attributable to owners of the Company as at 30 June 2020 amounted RM198.3 million, whilst net assets per ordinary share attributable to owners of the Company stood at RM1.95 as compared to RM1.74 in preceding year.

In view of an improved financial performance, the Board of Directors recommends a final dividend of 6.0 sen for FY2020, to be approved by the shareholders in the forthcoming AGM.

Outlook and Prospect

Moving forward, the Group expects the operating environment for the next financial year to remain challenging. The unsettling trade tension between China and the USA adds to the uncertainty of the global economy and the impact of Covid-19 Pandemic that spreads throughout the world as well as Malaysia's domestic political uncertainties may have an adverse impact on the Group's performance for the coming year.

Bank Negara Malaysia ("BNM") has projected economic growth of -3.50% to -5.50% in 2020 (theedgemarkets.com on 14 August 2020) while the IMF forecasts a 3.80% (theedgemarkets.com on 25 June 2020) contraction in Malaysia's 2020 GDP. The overall risks to the domestic growth outlook are towards downside due to the risk of a prolonged and wide spread of COVID-19 and its effects on the global and domestic economy.

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

The property market is expected to remain challenging in FYE 2021. The Group will continue to focus on its marketing and construction activities of high rise serviced apartment and service studio at Langkawi and at the same time strengthen its operations to manage the challenges of the property market in the year ahead. Besides, the Property Development Division shall watchfully study the viability of the future projects including the type of properties, pricing as well as the timing of the new project launching to achieve satisfactory take-up rate.

Overall, the Group shall remain vigilant and resilient by cautiously exploring new initiatives that will bring the Group to grow sustainably in the midst of volatile global economic conditions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Pursuant to Paragraph 15.25 of Bursa Malaysia Securities Berhad ("Bursa")'s Listing Requirements and Malaysian Code of Corporate Governance issued by Securities Commission Malaysia ("MCCG"), the Corporate Governance Overview Statement provides an overview on how the application of Principles as set out in MCCG is practiced in Kobay Group throughout the financial year ended 30 June 2020. 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 has a critical role in providing 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 Terms of Reference for its Committees in Board Charter which is published at Kobay's website. The Board will review and revise the Board's Charter every 5 years interval or whenever is necessary in line with changes in the relevant legislations.

Matters which specifically required the entire Board's approval have been set out in 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 the defined Terms of Reference and report regularly to the Board. Authority on operational management of the Group has been delegated to the Executive Committee and Chief Executive Officer for execution or they further delegate to respective senior management for effective running of day-to-day matters.

Board Roles and Responsibilities

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

The roles of the Chairman and the Chief Executive Officer are segregated to ensure there is a balance of power and authority. The Chairman is responsible for ensuring effectiveness of the Board's 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's 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 senior management and/or to advice and services of the Company Secretaries or external independent professionals' advice for additional information before decision making.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Meetings

There were four (4) Board meetings held in the financial year ended 30 June 2020. Management teams are invited, if required, to attend the Board meetings and to report on issue raised. Board papers for the Board and its Committee Meetings are furnished to 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, experience and expertise accordingly and each agenda/issue raised is carefully considered during Board meeting. Documents and information in relation to any corporate or business issue to be discussed in the meeting are furnished to the Board members prior to the meeting. The Board members review updates and/or reports inclusive of 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 minutes of these Committees are recorded by the Company Secretaries and make available for all Directors on a timely manner.

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: Terms of Reference for each Committee is published 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 Ah Bah @ Koay Cheng Hock	2/4	2/4	1/1	-
Mr. Koay Cheng Lye	4/4	-	-	-
Mr. Lim Swee Chuan (Resigned on 30.6.2020)	4/4	-	-	-
Mr. Khaw Eng Peng	4/4	4/4	1/1	1/1

Note: EXCO meeting is conducted weekly to resolve day-to-day operational related matters and the meeting 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 2020, main activities carried out by the Board and/or its Executive Committee includes:

Main Activities

- Review the Directors' performance for the financial year 2019 individually and the Board/its Committee as a whole.
- Review the performance of the external auditors, Messrs. Crowe Malaysia PLT.
- Review the Company and Group's quarterly results for the financial year 2019, Quarter 1, 2 and 3 of financial year 2020 for submission to Bursa.
- Review and approve the Directors' Report and Audited Accounts for the financial year ended 30 June 2019.
- Receive the Risk Management Reports reported by the CFO and CEO quarterly and yearly for the financial year 2019/2020.
- 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 Group's Recurrent Related Party Transactions.
- 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 PLT.
- Review and approve the Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control for FY2019.
- Review and approve Annual Report 2019.
- 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 Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Adoption of New Constitution dated 30 October 2019.
- Review the term of office and assess the retirement of Directors by rotation, the retention of Directors and eligibility for re-election or retention.
- Review and approve the Auditors' audit plan and note 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 composed of two (2) Executive Directors and three (3) Non-executive Directors. Out of the three (3) Non-executive Directors, two (2) are Independent Directors. All Directors 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 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 require to be held, 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. The signed Directors' Written Resolutions will be filed in 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, 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 govern the Independent Directors and justification for retention based on individual 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/reappointment as Independent Director of the Company.

Yearly, the Nominating Committee will also evaluate and assess the performance of each Director, the Board and its Committees on the effectiveness. Notices were sent to those Directors whom due for retirement for them to 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 27 August 2020 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 forthcoming AGM set on 26 November 2020.

During the financial year 2020, 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 27 August 2020. The said Directors' profiles are set out on page 9 - 10 of this Annual Report.

Name of Director	Re-election/Re-appointment	Constitution/MCCG
Dr. Mohamad Zabdi Bin Zamrod	Independent and Non-executive Chairman	MCCG
Mr. Khaw Eng Peng	Senior Independent and Non-executive Director	MCCG
Mr. Koay Cheng Lye	Executive Director/Chief Administrative Officer	Article 101
Mr. Koay Ah Bah @ Koay Cheng Hock	Non-independent and Non-executive Director	Article 101

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 for re-appointment. The Board is mindful of Dr. Mohamad Zabdi Bin Zamrod and Mr. Khaw Eng Peng who have served for more than 13 years and 10 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. 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 13 years and 10 years term respectively have provided their declaration of independency in accordance with 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 retention as Independent Director. Should the retainment being approved by the shareholders, there are in total 2 Independent and Non-executive Directors out of 5 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 Board of Directors of the Company for the financial year ended 30 June 2020 is as follow:-

Category	Total Headcount	Headcount for	
		Male (%)	Female (%)
Board of Directors	5	5 (100%)	0 (0%)

The gender diversity amongst the Chief Executives, senior management and employees of the Group are disclosed in Sustainability Statement.

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, and essential practices to enhance corporate governance and risk management so to enable the Directors participate in deliberations and effectively discharge their duties. All Directors have undergone the Mandatory Accreditation Programme and complied with the Listing Requirements of Bursa.

The Nominating Committee has formalized an orientation programme, of which included introduction of Company's background, 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 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
22 August 2019	Recurrent Related Party Transaction & Long Term Contracts Disclosure

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 2020 -

Directors	Training Program Attended	Date
Mr. Khaw Eng Peng	Webinar on various topics by ACCA	December 2019 (15 hours)
	Business Outlook 2020 by ACCA	18 February 2020
	How Tax Advisors Add Value to Businesses in Crisis Management by CPA Malaysia	10 April 2020
	Tax Considerations in Dealing with the Impact of COVID-19- Ensuring Business Continuity by MIA	20 April 2020
	Integrated Reporting and Impact of COVID-19 on Value Creation by MIA	22 May 2020
	Impact of COVID-19 on Financial Reporting by MIA	3 June 2020
	Business Combinations: Disclosures, Goodwill and Impairment by MASB	18 June 2020
Dr. Mohamad Zabdi Bin Zamrod	Malaysian Tax Budget 2020 by Crowe	30 October 2019
Mr. Koay Ah Bah @ Koay Cheng Hock	CPE Sdn. Bhd.	
Mr. Koay Cheng Lye		

Remuneration

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

The current performance evaluation interval for employees of which inclusive Executive Directors as ruled and guided by 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 of 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 16 May 2019 proposed Directors' fee payable for the members' approval in the AGM held on 21 November 2019. The Committee has also vide the meeting on 27 May 2020 proposed Directors' fee payable for the financial year ended 30 June 2020 for the forthcoming AGM to be held on 26 November 2020.

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 has 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 2020 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 every attendance of quarterly meeting and during the financial year ended 30 June 2020, a total of RM4,550 meeting expenses have been paid to Non-executive Directors.

3. Directors' Remuneration

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 2020 is disclosed below :-

	Executive Directors (RM)	Non-executive Directors (RM)
Fees	-	22,500
Salary and other emoluments	1,013,829	36,443
Bonus	140,285	-
Allowance & Statutory Contributions	79,256	1,440

Per Annum	Executive Directors	Non-executive Directors
RM0 to RM 50,000	-	3
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	1	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	1	-
RM450,001 to RM500,000	1	-

The detailed disclosure for the remuneration of individual Directors are set out in the Corporate Governance Report.

Employees' Share Option Scheme

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

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

The ARMC's composition and its report are set out in page 40 - 41 of this Annual Report.

Assigned by the Board, the ARMC will ensure the financial statements prepared for each financial year are complied with applicable financial reporting standards and provide a true and fair view of the state of affairs and financial position of the Company. The ARMC will recommend the financial statements for 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 42 of this Annual Report.

In accordance with 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 27 August 2020 ARMC meeting, confirmed their independency for the audit engagement provided for the financial year ended 30 June 2020.

Save for the audit services and review of Statement on Risk Management and Internal Control provided during the financial year ended 30 June 2020, 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 services 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 and managed key business risks to safeguard the shareholders' and the Company's investment. The Group's Risk Management Framework has been established in year 2013, it documented down the risk tolerance level, risk management accountability bodies and monitoring procedures for the Group's risk management.

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 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 gather information, monitor and manage each individual subsidiary company's KPI to ensure their operations are operating to the management expectation.

The Board has established an Executive Committee ("EXCO") which comprises of four (4) members, two (2) 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 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 37 - 39 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 independence of internal audit function.

Summary of activities of the Internal Audit Department is set out in 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 Company's/Group's culture. Communication is not only confined with its stakeholders during day-to-day operations but also a powerful foundation to have continuous communication with the shareholders for the Company's success.

The Company released quarterly its financial results after approved by the Board via Bursa Link to keep shareholders informed about the performance and operations of the Group pursuant to 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.

Company's Corporate Disclosure Guide has been established and it 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 approving authority level required 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 developments. There is a platform available in Company's website where the investor/shareholder is able to communicate and send an email to the designated person for information.

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 address. 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 Notice of AGM will be furnished with explanatory notes to shareholders on the effect of the proposed resolutions.

At the AGM, the Shareholders are encouraged to 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 to shareholders.

In compliance with MCGG, all resolutions set out in 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 practices.

Announcement of the poll results for each resolution tabled 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 13 October 2020. The Board is pleased to report that the Board is satisfied 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 2020.

SUSTAINABILITY STATEMENT

Kobay Group (“Group”) acknowledges the importance of organization sustainability and aims to balance both its financial stability and social responsibility in attaining sustainable growth. The Board of Directors has undertaken the task to attain organization sustainability vide its effort in achieving business excellence and value creation for the Group apart from 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. We are committed to integrate Economic, Environmental and Social sustainability issues into our business operations while attaining continuous growth and profits in a safe and healthy 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 2020. It is prepared with reference to 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.

With the sustaining of our quest in achieving Group’s values and goals in mind, we have established our Group’s 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 the Board of Directors has delegated, the Group sustainability mission is led by Executive Committee (“EXCO”) of the Board that oversees the integration of sustainability initiatives.

The EXCO performs yearly strategic planning processes prior to beginning of new financial year. Headed by Chief Executive Officer, the EXCO articulates sustainability practices across the management team and operation business units. From brain-storming sessions conducted with senior management to evaluate current business environment and competition landscape, sustainability issues covering economic, environmental and social, Chief Executive Officer maps out the Group’s Directions and Expectations going forward and submits to EXCO for buy-off.

Based on Group Directions and Expectations, individual business unit conducts individual SWOT analysis and risk assessment to develop respective unit’s strategic plans. The strategic plans covered details of planned activities, goal set, annual budget and Key Performance Indices (“KPI”) that served as a reference for guiding, measuring and monitoring business unit performance. Meetings were conducted between EXCO, Strategic Business Group Head and Business Unit Head to review and buy-off annual strategic plans, goals, budget and KPI prior to implementation.

On monthly basis, EXCO monitored the performance of individual business units in the Group with KPI set and managed any risk exposure and financial sustainability issue encountered. In quarterly Operations Review Meeting, Head of individual business units reported the progress of strategic plans to the EXCO and Strategic Business Group Head.

In order to achieve our Vision and Mission, we have entrenched sustainability elements into Kobay’s Culture, Policies and Procedures and Management Systems. They are continuously being monitored for their progress, measure and track with KPI and goals set. Periodic review is conducted on our policies & systems and when the need arises, to ensure consistency and adapt to ever changing business environment.

SUSTAINABILITY STATEMENT (CONT'D)

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

- A gility
- C an-Do Attitude
- T eamwork
- I nitiative and Accountability
- O wnership and Pride
- N ever Stop Learning
- S peed of Response

The employees can access anytime to our Group's EDMS e-portal on Policies and Procedures covering Financial, Human Resources, Sales and Operations Practices Manuals for reference. As for public documents such as Corporate Policies and Board of Directors' Subcommittees Term of Reference, they are made available at Kobay website.

Stakeholders Engagement

Kobay values our stakeholders' contributions and noted their influences which have direct impact on business operations of the Group. Therefore, it is crucial to articulate shared values through stakeholder engagement.

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

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
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

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholders Engagement (cont'd)

Stakeholders	Issues/Concern	Sustainability Matters	Forms of Engagement
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/Suppliers 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 which impacting our business operations and the stakeholders that we are engaged with, the Group views the following areas are material matters that are crucial to our sustainability in defending today and creating tomorrow:-

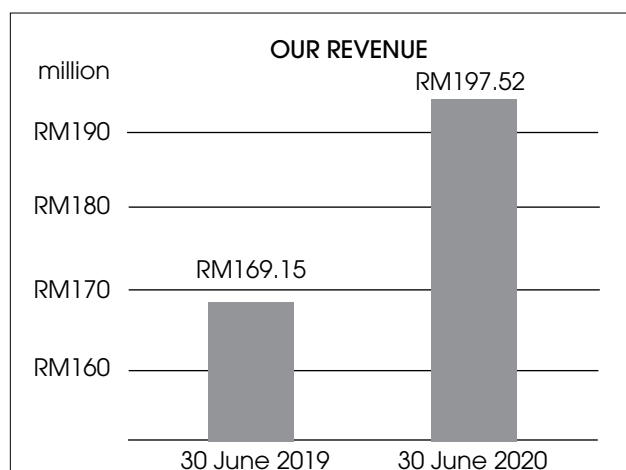
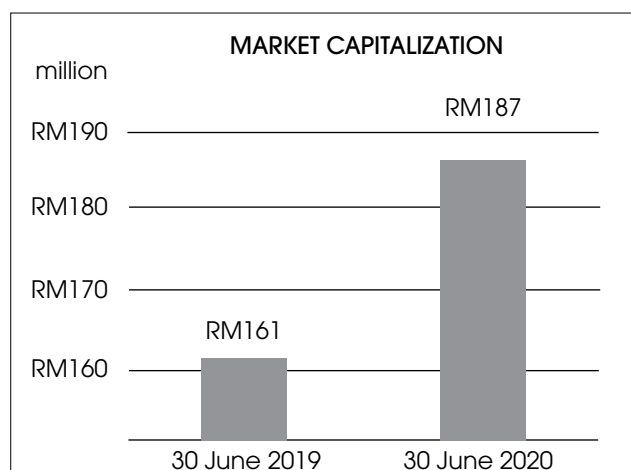


Economic

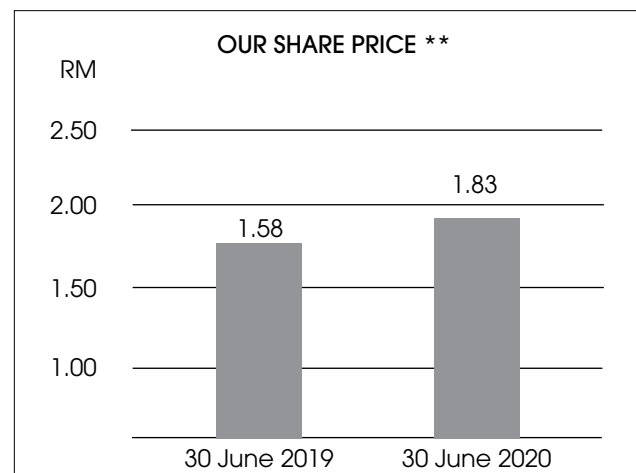
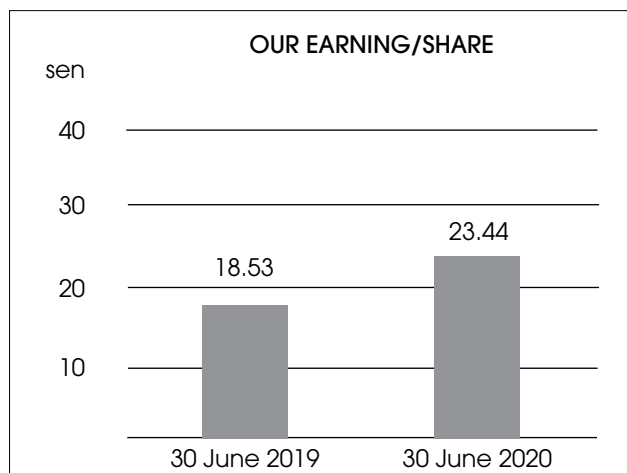
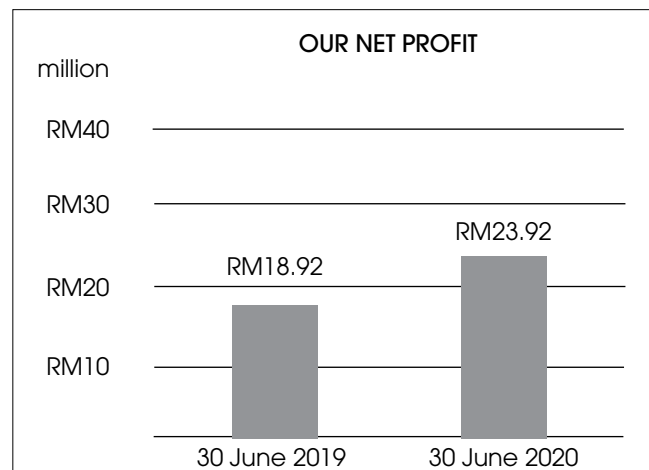
Shareholders Wealth

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

Our Results



SUSTAINABILITY STATEMENT (CONT'D)



(**Source: www.klsescreener.com)

Ethics and Integrity

We acknowledge the importance of good corporate governance practices and provisions under Whistleblower Protection Act 2010. The Group has formalized a Code of Business Conduct to provide guidance on standards of behavior where all employees (inclusive of 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 and are bound to observe whenever they are discharging their duties. The Code of Business Conduct covers topics related to conflict of interest, gifts and gratuities, integrity of company assets and information, insider trading, act of misconduct, cultivate conducive working environment and compliance to laws and regulations.

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

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

Quality Products & Services

We strive to continuously improve effectiveness of our quality management system and maintain the quality of products that we supplied to our customers. 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)

SUSTAINABILITY STATEMENT (CONT'D)

Economic (cont'd)

The Group is committed to deliver our products promptly to our customers. We have set On Time Delivery Rate as one of the internal KPI to monitor delivery performance to customers in business units' monthly management reporting. We closely monitored the KPI to continuously improve our delivery commitment to customers.

Environment

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

Waste Management

The Group supports green environment and is committed to continuously manage the impact of its operations in minimizing environmental pollution. All factories' waste management systems of 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 recyclable and nonrecyclable 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 SW422/409/410/416/307/204 wastes. The licensed vendor has the specialty to recycle industrial waste into raw material for other industries and recover precious metals. Its waste management strategy is driven by 4Rs concept of Reduce, Reuse, Recycle and Recover to minimize environmental pollution.

For financial year ended 30 June 2020, the scheduled wastes disposals of the Group's Manufacturing Division were as follow :-

	Metric Tonne
SW422 (metal chips contaminated with coolant)	363.55
SW409 (containers contaminated with paint)	3.02
SW410 (contaminated rags and filters)	0.13
SW416 (paint sludge)	0.87
SW307 (spent mineral oil-water emulsion)	9.71
SW204 (electroless nickel sludge)	0.17

The disposals were made with submission of Consignment Notes for Scheduled Waste to Jabatan Alam Sekitar. Compliance with waste disposal regulations is our utmost important and we continuously improve production processes to reduce waste.

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

We takes precaution measures to ensure project's surrounding environment will not be affected and relevant authorities licenses are obtained prior to commencement of work. We strive to use energy saving products in our building design as well as open space with greeneries concept. In our contracts to contractors, clauses are clearly stated on the need to comply with Malaysia's regulations on environmental, safety & health at work and other required legislations. In day-to-day operations, during review sessions on work progress with contractors and consultants, we monitor the measures taken on environmental & health related risks identified and work safety issues at construction site to ensure they adhered to the best safety & health management practices throughout construction period. Any issues brought up are discussed and resolved with solutions.

Every factory operations is working towards converting halogen bulb usage to LED bulb for energy saving and environmental friendly. In factory day-to-day operations, we encourage practice of 3Rs, i.e. Reuse, Recycle and Reproduce. It is an office practice not to use paper excessively and operation system workflow is continuously review for conversion to paperless environment via computerization. Penang state where most of our business units operate, has implemented rubbish segregation initiatives for a greener and cleaner environment.

Occupational Safety and Health, Emission

As our business unit provides surface treatment services, 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.

SUSTAINABILITY STATEMENT (CONT'D)

Environment (cont'd)

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 contained proposals for appropriate control measure, induction of employees training, air contaminant monitoring and health surveillance activities that may be required in order to protect the health of employees at the work place. It was presented to Safety and Health Committee for adoption and submitted to Department of Occupational Safety and Health, Malaysia.

In our businesses, 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.

For factories with waste water treatment plant, monthly Industrial Effluent Discharge Monitoring Reports were submitted to Jabatan Alam Sekitar with certified laboratory's certificate of chemical test analysis on treated water discharged, covering pH, cadmium, chrome, cyanide and suspended solids. In our oil & gas subsea fabrication business unit involving in heavy industry, other than audiometric test for noise exposure, Health Surveillance Program on chemical exposure consisting medical check-up, spirometry test, visual & hearing assessment are carried out on welding and coating workers. To enforce employees' health and safety rules, safety officer provides training to every new worker during induction program covering health, safety & environment policy, evacuation route, method of handling working equipment, personal protective equipment and chemical and rules on welding & grinding safety.

Social

Employees are key stakeholders and valuable assets of the Group. We review regularly the workplace environment, employee training opportunities, diversity and equality to retain talents within our organization.

Human Resource Policies and Procedures are in place to ensure all operating companies within the Group complied with labour standards and promote safe and healthy working environment. There are half-yearly team building events held with participation of employees from various business units for social interaction among fellow employees and at the same time, provide insights to them on business developments, updates on company performance and any changes in Group's policies and procedures.

Conducive Working Environment

For a better working place, the Group encourages employees constantly keep work place in clean and tidy manner. The Group's Manufacturing Division organizes yearly 5S competition amongst factories to pick a winner for Kobay 5S Excellence Award. The 5S principles emphasized on are 'Sort', 'Set in Order', 'Cleaning', 'Standardize' and 'Discipline'.

At factory, 5S Committee has been set up with Business Unit Head as chairman to drive the 5S activities. 5S Audit Checklist Form is used to provide a standard criteria for guidance on 5S activities. "Gemba" walks are carried out to identify areas for improvement and checked the progress of actions taken with meeting minutes maintained for follow up. Notice boards are displayed at production floor with 5S slogan, photos taken before and after improvement to create awareness among employees.

There is also "Continuous Innovative Processes" program in Manufacturing Division to encourage employee proposal to management on energy & resources saving plan and improve production efficiencies that can be incorporated into manufacturing process. The winner of the project will be rewarded.

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, able to cope with the ever-changing and complex business environment. We have embarked on leadership and development programs to prepare management and operational staff for their readiness in advancement to next management level and succession planning.

We emphasize on employees attending in-house and external training programs. New recruits are required to attend new hiring onboarding program where they will be briefed on Group's Vision, Mission and Values as well as management systems in the company.

SUSTAINABILITY STATEMENT (CONT'D)

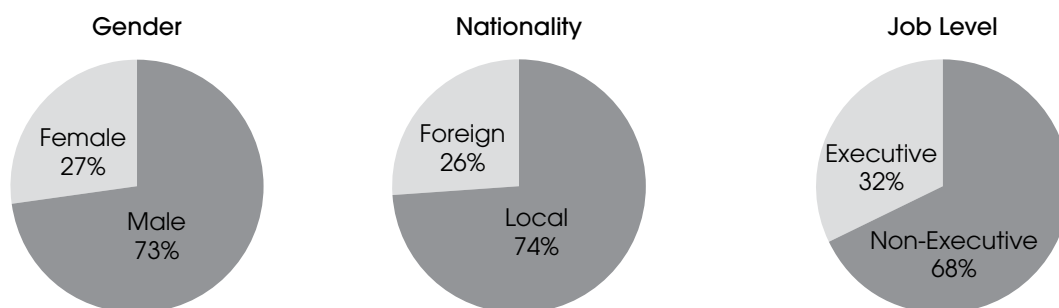
Social (cont'd)

We have developed a yearly training calendar with structure in-house training programs catering staff at various levels. The training topics include articulation of Kobay Practices, supervisory management, business management, human resource management, sales, creativity & innovation, service excellence, personal effectiveness & productivity and communication. As a prerequisite before promotion to next level, employee has to complete attended a series of technical/ non-technical and development programs depending of his/her next job level. To sustain a pool of technical skill employees, we have initiated apprentice recruitment program whereby fresh recruits will be trained in-house while working. They will be taught on engineering drawing interpretation, CNC machine programming & handling for career progression to machining specialist.

As for external training, where our in-house trainers do not have the expertise, employees are sent to attend trainings/ seminars to gain knowledge on the latest developments and technologies.

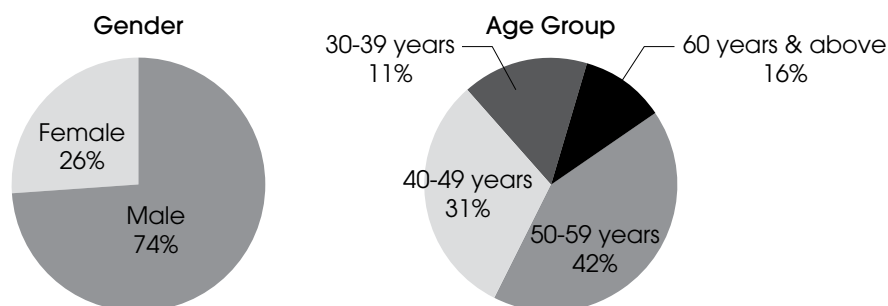
Diverse Workforce

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 855 categorized by gender, nationality and job level as at 30 June 2020 is shown in the table below:-



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

Senior Management Diversity -



(Note: Senior Management – Chief Executive Officers (i.e. Chief Executive Officer, Chief Administrative Officer, Chief Financial Officer, Chief Operating Officer) and management staff who reports directly to Chief Executive Officers)

Employee Benefits

To attract and retain talent staff, providing a self-motivated working environment and maintaining a talent pool of human resources in sustaining our organizational success, the Group benchmarks employee's compensation and benefit scheme with market rate and the industry standard. Among the staff benefits are key personnel profit sharing scheme, Kobay performance excellence award, flexible benefits plan, performance-link sales commission, work from home and flexible work hours.

Corporate Social Responsibility

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

SUSTAINABILITY STATEMENT (CONT'D)

Social (cont'd)

We support the nation human resource development by participating internship programs with local universities, colleges, polytechnics and Penang Skill Development Corporation to provide on-the-job training for their students. We also have apprentice program whereby school-leavers who intend to venture into technical field are provided with employment while acquiring technical skills.

As part of corporate social activities, we have held a “Kobay Blood Donor Day” in September 2019 to create awareness and encourage our employees in saving lives and giving back to society. We have also provided every employee of the Group an eco-sterilizing spray in addition to standard hygiene requirements set by Health Ministry in combating Covid-19 Pandemic.

We are mindful that sustainability risks and opportunities will be faced by the Group along the journey to attain our vision and mission. We will strive for a balance taking into consideration our environmental and social responsibilities 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 risk management into Group's culture and day to day activities, implement 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 their likelihood & impact and come out with 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 documented 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 set the level of risk tolerance and appetite for the Group in assessing key business risks faced in the Framework to safeguard shareholders' investment and Group's resources. Risk appetite as measured by tolerance level of loss in monetary value has been formally defined 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 still maintain 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 of risk management activities carried out for items classified as high risk during strategic planning and those risk identified during the year and the mitigation actions. ARMC also reviews yearly Internal Audit Department Report on risk management activities carried out in the Group 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 implementation of risk management activities in the Group. EXCO acts as Management Committee of risk management and reports risk management activities and matters that deemed high risk or critical and their 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 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.

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

Management (cont'd)

To promote accountability, Head of Strategic Business Unit ("SBU Head") takes charge of the compliance and monitoring roles at individual business units. The business unit's line managers at all management levels are responsible for adoption and implementation of risk management practices as guided by Framework 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. To evaluate risk, individual risk item value is calculated by scoring its likelihood in terms of probability and monetary value of the consequence. The risk value calculated is measured against a pre-defined Risk Matrix Table as stated in Framework to determine at which the risk level is, with range of low to extreme risk. The risk level will determine which risk management accountability body is responsible to address the risk, to provide report on results and status update of risk management activities carried out.

To identify and evaluate strategic & operational risks faced by the Group, yearly strategic planning sessions attended by EXCO and operations management are held before beginning of new calendar year. The Kick-Off meeting for Strategic Planning Financial Year 2021 commenced in December 2019. 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 and expectations going forward.

At business operation level, with the guidance of Group's directions and expectations, respective strategic business and functional units' SBG Head performed SWOT (Strengths/ Weaknesses/ Opportunities/ Threats) analysis on operation 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 in 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 2021 was completed in March 2020.

As for regulatory compliance and financial risks, the risk assessments 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 which systematically assess currently known risks guided by past records in risk register and any emerging risks foresee.

For managing and monitoring risks, there is a meeting agenda in quarterly held Operations Review Meeting for SBG Heads to report to EXCO on risk issues and current business situations that warrant risk management, their impacts or likely impact to the business units in achieving business objectives. Remedy actions taken to address high risk items identified during strategic planning process and the progress of planned risk management activities carried out in individual business units were reported to EXCO in the meeting.

The Chief Executive Officer has provided a written assurance to the Board on 13 October 2020 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 FY2020 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 2020 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 provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, the System's 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 effectiveness and efficiency of 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.

On 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 13 October 2020.

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 financial year ended 30 June 2020. The meetings were convened in a structured manner by formal notice of meeting. Meeting agenda and reports were sent to Committee members at least 7 calendar days before the meeting date. Committee Secretary recorded the meeting minutes and confirmed by Committee Chairman. The minutes 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	2/4

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 2019 audit. It covered 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 statements. The financial statements for the financial year were submitted to Board for 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 2019.
3. Noted the External Auditors' Report issued on Deficiencies in Internal Control for financial year ended 30 June 2019.
4. Reviewed quarterly unaudited results with Chief Financial Officer and obtained clarifications before submission to Board for consideration and approval for the purpose of announcement to Bursa Malaysia.
5. Reviewed Quarterly Internal Audit Department Report presented by Internal Auditors. The Committee members discussed and adopted the audit reports on audit activities carried out, 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 Kobay Group. Transactions in the quarter were reviewed for compliance with reporting and approving procedures as stated in Circular obtaining shareholders' mandate for recurrent related party transactions, Bursa Malaysia Listing Requirements and any conflict of interest situation arisen.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (CONT'D)

7. Reviewed Quarterly Risk Management Report presented by Chief Financial Officer on behalf of Executive Committee on risk management. The activities carried out in the quarter and progress update on 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 2019 on compliance with policies and procedure as stated in Group Risk Management Framework Manual.
9. Reviewed External Auditors' Audit Plan for financial year ended 30 June 2020. It covered engagement and reporting requirements, responsibilities of directors/ auditors, 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 2021 presented by Internal Auditors. The planned audit activities are based on risk-based approach whereby emphasis is on core business units and audit areas covered are determined by respective unit's key risk areas, business nature and past audit experience. The audit plan includes review on 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 2019 Annual Report.
12. Reviewed Semi-annual Returns before submission to Board for approval for the purpose of submission to Bursa Malaysia.
13. Reviewed performance and work carried out by External Auditors, Messrs. Crowe Malaysia PLT on their suitability, objectivity and independence before recommendation of re-appointment in the incoming year. The areas covered in the review are outlined in External Auditors Policy which is published at Kobay website. As for the evaluation of Internal Auditors' audit plan coverage, competency and job performance, it was carried out via Performance Evaluation Form by Committee Chairman.
14. Held two dialogue sessions on 22 August 2019 and 27 May 2020 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 area of concern highlighted 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 2020 amounted RM160,470.

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, a review on Group Sales and Operations Practices Manual was conducted to improve and enhance existing internal control systems in addressing changes in business environment.
For Property Development Division, audits were carried out on compliance with policies and procedures and internal control systems covering reports submission to regulatory, sales leads follow up and filing system of house buyer loan documentation and correspondence.
For Manufacturing Division, audits activities were carried out at core business units covering scrap sales, sales order and job order management, store requisitions, purchase requisitions and inventory management.
2. Issued audit reports on audit findings noted to business units' management and obtained their corrective actions. The audit reports were tabled for discussion in business unit's management meeting and presented in operations review meeting at corporate office 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 Kobay Group on quarterly basis and reported to Committee.
5. Reviewed risk management activities carried out in Kobay 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 13 October 2020.

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 RM200,000 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 21 November 2019, 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 2020 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 & person connected	Purchase of aluminum and other materials	955,574
PPC	UA	Dato' Seri Koay Hean Eng & person connected	Purchase of aluminum and other materials	676,680

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 2020.

FINANCIAL REPORT

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2020

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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 2020.

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 9 to the financial statements.

Results

	Group RM	Company RM
Profit for the financial year attributable to:-		
- Owners of the Company	23,925,944	13,080,925
- Non-controlling interests	175,129	0
	<u>24,101,073</u>	<u>13,080,925</u>

Dividends

During the financial year, the Company paid a final single tier dividend of 3.0 sen per share amounting to RM3,062,808 in respect of the financial year ended 30 June 2019.

A final single tier dividend of 6.0 sen per share in respect of the financial year ended 30 June 2020 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
 Dr. Mohamad Zabdi Bin Zamrod
 Khaw Eng Peng
 Lim Swee Chuan (resigned on 30.6.2020)

Directors of subsidiaries (other than directors of the Company)

Koay Wooi Tatt
 Koay Zee Ee
 Chan Mun Shee
 Yee San Khien (appointed on 30.6.2020)

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 1.7.2019	Bought	(Sold)	Balance at 30.6.2020	Balance at 1.7.2019	Balance at 30.6.2020
Dato' Seri Koay Hean Eng	2,481,231	2,880,122	(5,361,353)	0	26,284,510 ^(a)	33,432,980 ^(a)
Koay Cheng Lye	1,588,492	0	(1,588,492)	0	26,284,510 ^(a)	33,432,980 ^(a)
Koay Ah Bah @ Koay Cheng Hock	1,326,997	951,750	(2,278,747)	0	27,236,260 ^(b)	33,432,980 ^(a)

^(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 26 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 31 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, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 25 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 2020

Dato' Seri Koay Hean Eng

Koay Cheng Lye

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 56 to 115 give a true and fair view of the financial position of the Group and the Company as at 30 June 2020 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 2020

Dato' Seri Koay Hean Eng

Koay Cheng Lye

STATUTORY DECLARATION

I, Lee Seow Ling, being the officer primarily responsible for the financial management of Kobay Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 56 to 115 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 Lee Seow Ling at
George Town in the State of Penang
on this 30 September 2020

Lee Seow Ling

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 2020 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 56 to 115.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

Key audit matter	How our audit addressed the key audit matter
<p><u>Property development activities (Refer to Notes 3 and 7 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 11 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.

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

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.

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

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

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with 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.

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

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

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

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

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

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

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.

Other matters

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

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Eddy Chan Wai Hun
02182/10/2021 J
Chartered Accountant

Date: 30 September 2020

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 RM	2019 RM
Non-current assets			
Property, plant and equipment	4	69,294,499	68,657,423
Investment properties	5	4,839,625	477,054
Right-of-use assets	6	13,251,798	0
Land held for property development	7	40,133,840	41,281,840
Intangible assets	8	98,742	98,742
Investment in joint venture	10	751,382	746,311
Other investment		1,515	1,515
Receivables	11	2,871,700	661,302
		<u>131,243,101</u>	<u>111,924,187</u>
Current assets			
Property development costs	7	11,128,520	25,933,333
Receivables	11	61,715,091	38,640,601
Assets held for sale	12	0	21,000
Inventories	13	27,178,917	18,452,796
Contract assets	14	0	7,677,655
Derivatives	15	0	4,514
Prepayments		4,335,100	2,101,914
Current tax assets		1,629,501	970,091
Cash and cash equivalents	16	48,819,008	39,216,706
		<u>154,806,137</u>	<u>133,018,610</u>
Current liabilities			
Contract liabilities	14	2,097,150	0
Derivatives	15	70,971	8,500
Payables	17	34,661,352	38,133,822
Loans and borrowings	18	19,546,472	4,986,268
Current tax liabilities		2,857,693	985,267
		<u>59,233,638</u>	<u>44,113,857</u>
Net current assets		<u>95,572,499</u>	<u>88,904,753</u>
Non-current liabilities			
Loans and borrowings	18	22,709,393	17,077,739
Deferred tax liabilities	19	4,369,000	4,417,000
Deferred income on government grants	20	862,430	1,298,519
		<u>27,940,823</u>	<u>22,793,258</u>
Net assets		<u>198,874,777</u>	<u>178,035,682</u>
Equity			
Share capital	21	102,103,907	102,103,907
Capital reserve		1,550,000	1,550,000
Currency translation reserve		0	87,170
Retained profits		94,653,056	73,787,797
Equity attributable to owners of the Company		<u>198,306,963</u>	<u>177,528,874</u>
Non-controlling interests	22	567,814	506,808
Total equity		<u>198,874,777</u>	<u>178,035,682</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 RM	2019 RM
Revenue	23	197,524,435	169,147,888
Cost of revenue		(131,946,925)	(122,038,139)
Gross profit		<u>65,577,510</u>	<u>47,109,749</u>
Impairment gains on financial assets	24	0	1,614,486
Interest income		940,601	899,948
Other income		2,918,963	2,996,556
Administrative and general expenses		(29,169,403)	(21,576,028)
Selling and distribution expenses		(5,501,189)	(5,140,843)
Finance costs		(1,016,215)	(462,144)
Share of joint venture's profit/(loss)		5,071	(3,689)
Profit before tax	25	<u>33,755,338</u>	<u>25,438,035</u>
Tax expense	27	(9,654,265)	(6,379,162)
Profit for the financial year		<u>24,101,073</u>	<u>19,058,873</u>
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operation		0	6,885
- Reclassification adjustment on dissolution of foreign operation		(87,170)	0
Total other comprehensive income for the financial year		<u>(87,170)</u>	<u>6,885</u>
Comprehensive income for the financial year		<u>24,013,903</u>	<u>19,065,758</u>
Profit for the financial year attributable to:-			
- Owners of the Company		23,925,944	18,921,277
- Non-controlling interests	22	<u>175,129</u>	<u>137,596</u>
		<u>24,101,073</u>	<u>19,058,873</u>
Comprehensive income for the financial year attributable to:-			
- Owners of the Company		23,838,774	18,928,162
- Non-controlling interests		<u>175,129</u>	<u>137,596</u>
		<u>24,013,903</u>	<u>19,065,758</u>
Earnings per share:-	28		
- Basic (sen)		23.44	18.53
- Diluted (sen)		<u>23.44</u>	<u>18.53</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 2020

	Non-distributable			Distributable			
	Share capital RM	Capital reserve RM	Currency translation reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 July 2018	102,103,907	1,550,000	80,285	54,866,520	158,600,712	484,212	159,084,924
Profit for the financial year	0	0	0	18,921,277	18,921,277	137,596	19,058,873
Currency translating differences for foreign operation (representing other comprehensive income for the financial year)	0	0	6,885	0	6,885	0	6,885
Comprehensive income for the financial year	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	(115,000)	(115,000)
Balance at 30 June 2019	102,103,907	1,550,000	87,170	73,787,797	177,528,874	506,808	178,035,682
Profit for the financial year	0	0	0	23,925,944	23,925,944	175,129	24,101,073
Reclassification adjustment on dissolution of foreign operation (representing other comprehensive income for the financial year)	0	0	(87,170)	0	(87,170)	0	(87,170)
Comprehensive income for the financial year	0	0	(87,170)	23,925,944	23,838,774	175,129	24,013,903
Dividend to owners of the Company (Note 29)	0	0	0	(3,062,808)	(3,062,808)	0	(3,062,808)
Dividends to non-controlling interests	0	0	0	0	0	(100,000)	(100,000)
Distributions to owners	0	0	0	(3,062,808)	(3,062,808)	(100,000)	(3,162,808)
Change in ownership interest in subsidiary (Note 22)	0	0	0	2,123	2,123	(14,123)	(12,000)
Total transactions with owners	0	0	0	(3,060,685)	(3,060,685)	(114,123)	(3,174,808)
Balance at 30 June 2020	102,103,907	1,550,000	0	94,653,056	198,306,963	567,814	198,874,777

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 RM	2019 RM
Cash flows from operating activities			
Profit before tax		33,755,338	25,438,035
Adjustments for:-			
Amortisation of deferred income on government grants		(436,089)	(436,089)
Depreciation		7,202,278	6,423,152
Dividend income		(54,070)	0
Fair value gains on financial instruments		(272,775)	0
Gain on disposal of investment properties		0	(623,941)
Gain on disposal of property, plant and equipment		(213,158)	(132,971)
Gain on disposal of subsidiary		(72)	0
Gain on dissolution of subsidiary		(87,170)	0
Impairment gains on financial assets		0	(1,614,486)
Impairment loss on investment property		63,100	0
Impairment loss on property, plant and equipment		0	834,641
Interest expense		1,016,215	462,144
Interest income		(940,601)	(899,948)
Inventories written down		2,195,000	0
Property, plant and equipment written off		199,878	2,353
Share of joint venture's (profit)/loss		(5,071)	3,689
Unrealised loss on financial instruments at fair value through profit or loss		70,971	3,986
Unrealised loss on foreign exchange		21,823	66,602
Waiver of debts		(15,351)	0
Operating profit before working capital changes		42,500,246	29,527,167
Changes in:-			
Land held for property development		1,148,000	(2,131,017)
Property development costs		14,804,813	(6,769,250)
Inventories		(15,340,746)	(3,328,297)
Receivables		(25,277,690)	(4,414,919)
Contract assets and contract liabilities		9,774,805	(10,932,343)
Derivatives		(3,986)	(50,674)
Prepayments		(2,233,186)	236,203
Payables		(3,419,712)	9,917,722
Cash generated from operations		21,952,544	12,054,592
Tax paid		(9,388,121)	(7,158,702)
Tax refunded		898,872	76,747
Net cash from operating activities		13,463,295	4,972,637

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 2020

	Note	2020 RM	2019 RM
Cash flows from investing activities			
Acquisition of joint venture		0	(750,000)
Acquisition of other investments		(3,651,196)	(1,500)
Acquisition of property, plant and equipment		(22,008,922)	(19,487,608)
Acquisition of right-of-use assets	30	(107,849)	0
Additions of intangible assets		0	(2,201)
Additions of investment properties		(13,403)	(477,054)
Disposal of subsidiary, net of cash disposed		(3,213)	0
Dividend received		54,070	0
Interest received		932,669	899,948
Proceeds from disposal of assets held for sale		21,000	0
Proceeds from disposal of investment properties		0	2,600,000
Proceeds from disposal of other investments		3,923,971	0
Proceeds from disposal of property, plant and equipment		1,046,256	195,884
Net cash used in investing activities		<u>(19,806,617)</u>	<u>(17,022,531)</u>
Cash flows from financing activities			
Acquisition of shares from non-controlling interests		(12,000)	0
Changes in term deposits pledged as security		(228,739)	3,163,285
Dividend paid to owners of the Company		(3,062,808)	0
Dividends paid to non-controlling interests		(100,000)	(115,000)
Drawdowns of term loans	30	9,971,200	17,600,000
Increase in short-term loans and borrowings (net)	30	12,690,555	920,513
Interest paid		(992,898)	(462,144)
Repayment of term loans	30	<u>(2,543,043)</u>	<u>(6,481,936)</u>
Net cash from financing activities		15,722,267	14,624,718
Currency translation differences		(5,382)	(16,348)
Net increase in cash and cash equivalents		9,373,563	2,558,476
Cash and cash equivalents brought forward		36,178,621	33,620,145
Cash and cash equivalents carried forward	16	<u>45,552,184</u>	<u>36,178,621</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 RM	2019 RM
Non-current assets			
Property, plant and equipment	4	441,841	505,824
Investments in subsidiaries	9	122,945,516	115,003,241
Investment in joint venture	10	750,000	750,000
Other investment		1,515	1,515
		<u>124,138,872</u>	<u>116,260,580</u>
Current assets			
Assets held for sale	12	0	21,000
Receivables	11	6,036,922	12,196,529
Prepayments		11,317	6,867
Current tax assets		213,430	45,400
Cash and cash equivalents	16	21,977,194	14,974,925
		<u>28,238,863</u>	<u>27,244,721</u>
Current liabilities			
Payables	17	2,322,695	2,438,353
Loans and borrowings	18	850,783	727,628
		<u>3,173,478</u>	<u>3,165,981</u>
Net current assets		<u>25,065,385</u>	<u>24,078,740</u>
Non-current liabilities			
Loans and borrowings	18	6,940,336	8,093,516
Net assets		<u>142,263,921</u>	<u>132,245,804</u>
Equity			
Share capital	21	102,103,907	102,103,907
Retained profits		40,160,014	30,141,897
Total equity		<u>142,263,921</u>	<u>132,245,804</u>

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 RM	2019 RM
Revenue	23	17,988,470	18,395,632
Impairment (losses)/gains on financial assets	24	(3,909)	1,150,723
Interest income		181,728	147,041
Other income		272,775	0
Administrative and general expenses		(5,285,464)	(4,832,192)
Finance costs		(119,305)	(182,335)
Profit before tax	25	<u>13,034,295</u>	<u>14,678,869</u>
Tax income/(expense)	27	46,630	(96,340)
Profit for the financial year		<u>13,080,925</u>	<u>14,582,529</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>13,080,925</u>	<u>14,582,529</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Share capital RM	<u>Distributable Retained profits RM</u>	Total equity RM
Balance at 1 July 2018	102,103,907	15,559,368	117,663,275
Profit (representing comprehensive income) for the financial year	0	14,582,529	14,582,529
Balance at 30 June 2019	<u>102,103,907</u>	<u>30,141,897</u>	<u>132,245,804</u>
Dividend (Note 29)	0	(3,062,808)	(3,062,808)
Profit (representing comprehensive income) for the financial year	0	13,080,925	13,080,925
Balance at 30 June 2020	<u>102,103,907</u>	<u>40,160,014</u>	<u>142,263,921</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 RM	2019 RM
Cash flows from operating activities			
Profit before tax		13,034,295	14,678,869
Adjustments for:-			
Depreciation		97,337	66,639
Dividend income		(15,447,697)	(16,196,927)
Fair value gains on financial instruments		(272,775)	0
Impairment losses/(gains) on financial assets		3,909	(1,150,723)
Interest expense		119,305	182,335
Interest income		(181,728)	(147,041)
Loss on disposal of subsidiary		4,854	0
Property, plant and equipment written off		14	0
Operating loss before working capital changes		(2,642,486)	(2,566,848)
Changes in:-			
Receivables		29,822	(27,200)
Prepayments		(4,450)	3,708
Payables		(228,663)	243,103
Cash absorbed by operations		(2,845,777)	(2,347,237)
Tax paid		(121,400)	(153,218)
Tax refunded		0	23,660
Net cash used in operating activities		(2,967,177)	(2,476,795)
Cash flows from investing activities			
Acquisition of joint venture		0	(750,000)
Acquisition of other investments		(3,651,196)	(1,500)
Acquisition of property, plant and equipment		(37,400)	(215,655)
Acquisition of subsidiary		0	(2)
Dividends received		15,447,697	16,196,927
Interest received		181,728	147,041
Net repayment from/(advance to) subsidiaries		6,238,881	(3,944,002)
Proceeds from disposal of assets held for sale		21,000	0
Proceeds from disposal of other investments		3,923,971	0
Proceeds from disposal of property, plant and equipment		4,032	0
Proceeds from disposal of subsidiary		44,871	0
Subscription for shares in subsidiaries		(7,992,000)	(19,998)
Net cash from investing activities		14,181,584	11,412,811
Cash flows from financing activities			
Decrease in short-term loans and borrowings (net)	30	0	(2,000,000)
Dividend paid		(3,062,808)	0
Drawdown of term loan	30	0	2,000,000
Interest paid		(119,305)	(182,335)
Repayment of term loans	30	(1,030,025)	(1,001,936)
Net cash used in financing activities		(4,212,138)	(1,184,271)
Net increase in cash and cash equivalents		7,002,269	7,751,745
Cash and cash equivalents brought forward		14,966,925	7,215,180
Cash and cash equivalents carried forward	16	21,969,194	14,966,925

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 9.

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 56 to 60 together with the notes thereto cover the Company and its subsidiaries ("Group") and the Group's interest in a joint venture. The separate financial statements of the Company set out on pages 61 to 64 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 in accordance with a resolution of the directors dated 30 September 2020.

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.

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

MFRS	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

The initial application of the above MFRSs did not have any significant impacts on the financial statements except as disclosed in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Changes in accounting policies

The initial application of MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, has resulted in certain changes in accounting policies for lessees. MFRS 16 eliminates the distinction between finance and operating leases for lessees and introduces a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with certain recognition exemptions. 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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

The Group has elected to apply the new requirements of MFRS 16 from 1 July 2019 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

	Brought forward from preceding year RM	Effect of adopting MFRS 16 RM	Adjusted RM
Consolidated statement of financial position as at 1 July 2019 (extract)			
Property, plant and equipment	68,657,423	(13,372,171)	55,285,252
Right-of-use assets	0	13,372,171	13,372,171
Total equity	<u>178,035,682</u>	<u>0</u>	<u>178,035,682</u>

For leases that were previously classified as finance leases in accordance with MFRS 117, the carrying amounts of the right-of-use assets at 1 July 2019 were those brought forward from 30 June 2019 measured applying MFRS 117. The underlying assets were reclassified from property, plant and equipment, and would be accounted for in accordance with MFRS 16 from 1 July 2019.

2.3 Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.12. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

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

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

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.12.

Freehold land and capital work-in-progress are not depreciated. Leasehold land was depreciated on a straight-line basis over the lease terms of 26 to 60 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% - 33%
Building improvement and renovation	2% - 33%
Factory machinery, moulds and equipment	10% - 20%
Furniture, fittings, office equipment and computer software	10% - 33%
Tools and accessories	10%
Motor vehicles	10% - 20%

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

2.5 Investment properties

Investment property is property held (by the owner or the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.12.

Buildings are depreciated on a straight-line basis over their estimated useful lives of 50 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.6 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Lessor accounting

When the Group acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group has not entered into any finance lease.

Lessee accounting

Initial recognition and measurement

When the Group or the Company acts as a lessee, it recognises 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) at the commencement date. The Group and the Company have elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.12.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.6 Leases (cont'd)

Lessee accounting (cont'd)

Subsequent measurement (cont'd)

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

Previous financial years

Prior to 1 July 2019, the Group and the Company classified each lease as either an operating lease or a finance lease.

A finance lease, including hire purchase, was initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments were subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets was consistent with that for equivalent owned assets.

Lease payments under an operating lease were recognised as an expense on a straight-line basis over the lease term.

2.7 Property development

Land held for property development, property development costs and completed development units 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 2.20. Upon completion of development project, costs attributable to unsold units are transferred to completed development units.

2.8 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 2.12.

2.9 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 2.12.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.10 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 2.12.

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 2.12.

2.11 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 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.

2.12 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 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 2020

2. Significant accounting policies (cont'd)

2.13 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.

2.14 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 2.15. 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.

2.15 Financial assets

Financial assets of the Group and the Company consist of investments in equity instruments, 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. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.20). 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 2020

2. Significant accounting policies (cont'd)

2.15 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 investments in equity instruments and 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 2020

2. Significant accounting policies (cont'd)

2.16 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.

2.17 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 2020

2. Significant accounting policies (cont'd)

2.17 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.

2.18 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.

2.19 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 2020

2. Significant accounting policies (cont'd)

2.19 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 receivables and loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar assets or liabilities (i.e. Level 2).

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

The fair values of unquoted investments that are not making an adequate return on assets or are making only marginal levels of profits are measured using the adjusted net asset method which involves deriving the fair values of the investees' equity instruments by reference to the fair values of their assets and liabilities (i.e. Level 3).

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).

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.20 Revenue from contracts with customers (cont'd)

- (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.
- (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.

Sale of completed development units

For sale of completed development units, the Group determines that the transfer of control generally coincides with the delivery of vacant possession. Accordingly, revenue is recognised at a point in time when the vacant possession has been delivered to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.21 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.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

2.22 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 deducted in reporting the related expense in the statement of comprehensive income.

2.23 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.

2.24 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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (cont'd)

2.25 Income taxes (cont'd)

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

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

2.26 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 7), contract assets and contract liabilities (Note 14).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3. Judgements and estimation uncertainty (cont'd)

Sources of estimation uncertainty (cont'd)

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 11) and contract assets (Note 14).

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 2020

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 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	8,364,765	188,956	1,431,809	961,183	45,235	21,000	8,474,660	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	48,211,102	7,679,180	84,722,687	9,295,891	1,264,732	1,662,987	8,660,721	161,497,300
Balance at 1 July 2019								
- Brought forward from preceding year	48,211,102	7,679,180	84,722,687	9,295,891	1,264,732	1,662,987	8,660,721	161,497,300
- Effect of adopting MFRS 16	(16,761,794)	0	0	0	0	0	0	(16,761,794)
- Adjusted	31,449,308	7,679,180	84,722,687	9,295,891	1,264,732	1,662,987	8,660,721	144,735,506
Additions	356,747	1,200,439	10,762,813	601,002	37,675	183,101	8,867,145	22,008,922
Disposals/Write-offs	0	(104,047)	(4,968,340)	(76,258)	(3,030)	0	0	(5,151,675)
Reclassifications	15,708,959	0	138,718	0	0	0	(15,847,677)	0
Balance at 30 June 2020	47,515,014	8,775,572	90,655,878	9,820,635	1,299,377	1,846,088	1,680,189	161,592,753

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

Group

Depreciation and impairment losses

Balance at 1 July 2018

Accumulated depreciation

Accumulated impairment losses

Depreciation

Impairment loss

Disposals/Write-offs

Balance at 30 June 2019

Accumulated depreciation

Accumulated impairment losses

Balance at 1 July 2019

- Accumulated depreciation

- Brought forward from preceding year

- Effect of adopting MFRS 16

- Adjusted

- Accumulated impairment losses

Depreciation

Disposals/Write-offs

Balance at 30 June 2020

Accumulated depreciation

Accumulated impairment losses

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
11,245,290	3,665,770	62,187,125	5,691,389	951,401	1,317,924	0	85,058,899
0	0	604,252	100,837	77,789	34,332	127,220	944,430
11,245,290	3,665,770	62,791,377	5,792,226	1,029,190	1,352,256	127,220	86,003,329
876,822	726,952	4,011,512	712,613	45,541	49,712	0	6,423,152
0	0	834,641	0	0	0	0	834,641
0	0	(401,210)	(20,035)	0	0	0	(421,245)
12,122,112	4,392,722	65,797,427	6,383,967	996,942	1,367,636	0	91,060,806
0	0	1,438,893	100,837	77,789	34,332	127,220	1,779,071
12,122,112	4,392,722	67,236,320	6,484,804	1,074,731	1,401,968	127,220	92,839,877
12,122,112	4,392,722	65,797,427	6,383,967	996,942	1,367,636	0	91,060,806
(3,389,623)	0	0	0	0	0	0	(3,389,623)
8,732,489	4,392,722	65,797,427	6,383,967	996,942	1,367,636	0	87,671,183
0	0	1,438,893	100,837	77,789	34,332	127,220	1,779,071
8,732,489	4,392,722	67,236,320	6,484,804	1,074,731	1,401,968	127,220	89,450,254
924,902	596,461	4,522,278	812,440	46,671	63,947	0	6,966,699
0	(32,863)	(4,023,059)	(61,428)	(1,349)	0	0	(4,118,699)
9,657,391	4,956,320	67,131,287	7,134,979	1,042,264	1,431,583	0	91,353,824
0	0	604,252	100,837	77,789	34,332	127,220	944,430
9,657,391	4,956,320	67,735,539	7,235,816	1,120,053	1,465,915	127,220	92,298,254

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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
Carrying amount								
Balance at 1 July 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	36,088,990	3,286,458	17,486,367	2,811,087	190,001	261,019	8,533,501	68,657,423
Balance at 30 June 2020	37,857,623	3,819,252	22,920,339	2,584,819	179,324	380,173	1,552,969	69,294,499

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 2018	4,161,603	8,411,794	27,272,940	39,846,337
Additions	0	8,350,000	14,765	8,364,765
Balance at 30 June 2019	4,161,603	16,761,794	27,287,705	48,211,102
Balance at 1 July 2019				
- Brought forward from preceding year	4,161,603	16,761,794	27,287,705	48,211,102
- Effect of adopting MFRS 16	0	(16,761,794)	0	(16,761,794)
- Adjusted	4,161,603	0	27,287,705	31,449,308
Additions	0	0	356,747	356,747
Reclassifications	0	0	15,708,959	15,708,959
Balance at 30 June 2020	4,161,603	0	43,353,411	47,515,014
Accumulated depreciation				
Balance at 1 July 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
Balance at 1 July 2019				
- Brought forward from preceding year	0	3,389,623	8,732,489	12,122,112
- Effect of adopting MFRS 16	0	(3,389,623)	0	(3,389,623)
- Adjusted	0	0	8,732,489	8,732,489
Depreciation	0	0	924,902	924,902
Balance at 30 June 2020	0	0	9,657,391	9,657,391
Carrying amount				
Balance at 1 July 2018	4,161,603	5,173,951	19,265,493	28,601,047
Balance at 30 June 2019	4,161,603	13,372,171	18,555,216	36,088,990
Balance at 30 June 2020	4,161,603	0	33,696,020	37,857,623

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

	Group	
	2020 RM	2019 RM
Leasehold land	0	12,785,171
Buildings	29,651,073	13,939,786
Capital work-in-progress	0	8,354,660
Factory machinery, moulds and equipment	4,344,402	0
	<u>33,995,475</u>	<u>35,079,617</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 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
Additions	8,940	28,460	0	37,400
Disposals/Write-offs	0	(26,933)	0	(26,933)
Balance at 30 June 2020	427,084	890,869	1,800	1,319,753
Accumulated depreciation				
Balance at 1 July 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
Depreciation	37,689	59,648	0	97,337
Disposals/Write-offs	0	(22,887)	0	(22,887)
Balance at 30 June 2020	205,054	671,059	1,799	877,912
Carrying amount				
Balance at 1 July 2018	288,220	89,587	1	377,808
Balance at 30 June 2019	250,779	255,044	1	505,824
Balance at 30 June 2020	222,030	219,810	1	441,841

5. Investment properties

Group

	Buildings RM
Cost	
Balance at 1 July 2018	0
Additions	477,054
Balance at 30 June 2019	477,054
Additions	13,403
Transfer from inventories	4,419,625
Balance at 30 June 2020	4,910,082
Depreciation and impairment losses	
Balance at 1 July 2018 / 30 June 2019	0
Depreciation	7,357
Impairment loss	63,100
Balance at 30 June 2020	
Accumulated depreciation	7,357
Accumulated impairment losses	63,100
	70,457

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

5. Investment properties (cont'd)

	Buildings RM
Carrying amount	
Balance at 1 July 2018	0
Balance at 30 June 2019	477,054
Balance at 30 June 2020	4,839,625
Fair value	
Estimated fair value at 30 June 2019	480,000
Estimated fair value at 30 June 2020	6,178,000

6. Right-of-use assets

Group	Leasehold land RM
Cost	
Balance at 1 July 2019	0
- Brought forward from preceding year	16,761,794
- Effect of adopting MFRS 16	16,761,794
- Adjusted	107,849
Additions	16,869,643
Balance at 30 June 2020	16,869,643
Accumulated depreciation	
Balance at 1 July 2019	0
- Brought forward from preceding year	3,389,623
- Effect of adopting MFRS 16	3,389,623
- Adjusted	228,222
Depreciation	3,617,845
Balance at 30 June 2020	3,617,845
Carrying amount	
Balance at 1 July 2019 - Adjusted	13,372,171
Balance at 30 June 2020	13,251,798

The Group acquired the rights to use the leasehold land as its principal places of business for 26 to 60 years.

Certain leasehold land with total carrying amounts of RM13,150,543 has been pledged as security for credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

7. Property development

Group

Land held for property development

	2020 RM	2019 RM
Land held for property development	<u>40,133,840</u>	<u>41,281,840</u>
Represented by:-		
- Land costs	23,032,215	23,601,744
- Development costs	4,898,652	6,236,840
- Incidental costs incurred for acquisition of land	5,362,242	4,577,525
- Advance payments to landowners ^(a)	6,240,731	6,265,731
- Incidental costs incurred for joint venture agreement	600,000	600,000
	<u>40,133,840</u>	<u>41,281,840</u>

^(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 RM3,205,315 (2019 : RM3,205,315) has been pledged as security for credit facilities granted to the Group.

Property development costs

	2020 RM	2019 RM
Property development costs	<u>11,128,520</u>	<u>25,933,333</u>
Represented by:-		
- Land costs	3,121,610	14,514,350
- Development costs	10,187,716	50,800,988
- Costs recognised in profit or loss	<u>(2,180,806)</u>	<u>(39,382,005)</u>
	<u>11,128,520</u>	<u>25,933,333</u>

8. Intangible assets

Group

	Goodwill RM	Intellectual property RM	Total RM
Balance at 1 July 2018	12,620	66,970	79,590
Additions	16,951	2,201	19,152
Balance at 30 June 2019 / 30 June 2020	<u>29,571</u>	<u>69,171</u>	<u>98,742</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

9. Investments in subsidiaries

Company	2020 RM	2019 RM
Unquoted shares - at cost	130,706,185	122,796,185
Impairment losses	(7,760,669)	(7,792,944)
	<u>122,945,516</u>	<u>115,003,241</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2020	2019	
Innospec Sdn. Bhd. (formerly known as SMU Kobay Sdn. Bhd.)	Malaysia	100%	100%	Inactive
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
Kobay Project Venture Sdn. Bhd.	Malaysia	100%	100%	Property development
Kobay Resorts Sdn. Bhd.	Malaysia	100%	100%	Hotel operator and property management
Kobay SB Sdn. Bhd.	Malaysia	100%	100%	Property development
Kobay Systems Sdn. Bhd.	Malaysia	100%	100%	Inactive
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
The 12 Avenues Sdn. Bhd.	Malaysia	0%	70%	Disposed of in June 2020
Ultimate Sanctuary Sdn. Bhd.	Malaysia	100%	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

9. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2020	2019	
Wirama Progresif Sdn. Bhd.	Malaysia	70%	70%	In the process of members' voluntary winding up
<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	0%	100%	Dissolved in November 2019
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
Masset Capital Sdn. Bhd. (formerly known as Omni Value Chain Sdn. Bhd.)	Malaysia	100%	100%	Supply chain management and general trading
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

10. Investment in joint venture

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unquoted shares - at cost	750,000	750,000	750,000	750,000
Share of post-acquisition changes in net assets	1,382	(3,689)	0	0
	<u>751,382</u>	<u>746,311</u>	<u>750,000</u>	<u>750,000</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
		2020	2019	
Kobay UA Sdn. Bhd.	Malaysia	50%	50%	Manufacture of aluminium profile

The summarised financial information about the assets, liabilities, profit or loss of the joint venture has not been disclosed as the investment is not material to the Group.

11. Receivables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables:-				
- Related parties ^(a)	142,764	218,657	0	0
- Unrelated parties	63,693,975	38,248,973	0	0
	<u>63,836,739</u>	<u>38,467,630</u>	<u>0</u>	<u>0</u>
- Loss allowance	(270,994)	(270,994)	0	0
	<u>63,565,745</u>	<u>38,196,636</u>	<u>0</u>	<u>0</u>
Other receivables	1,021,046	3,343,177	52,824	82,646
Loss allowance	0	(2,237,910)	0	0
	<u>1,021,046</u>	<u>1,105,267</u>	<u>52,824</u>	<u>82,646</u>
Amounts due from subsidiaries	0	0	8,255,254	14,381,130
Loss allowance	0	0	(2,271,156)	(2,267,247)
	<u>0</u>	<u>0</u>	<u>5,984,098</u>	<u>12,113,883</u>
	<u>64,586,791</u>	<u>39,301,903</u>	<u>6,036,922</u>	<u>12,196,529</u>
Disclosed as:-				
- Non-current assets	2,871,700	661,302	0	0
- Current assets	61,715,091	38,640,601	6,036,922	12,196,529
	<u>64,586,791</u>	<u>39,301,903</u>	<u>6,036,922</u>	<u>12,196,529</u>

^(a) Being family members of certain directors

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11. Receivables (cont'd)

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2020, there was 1 (2019 : 1) 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 RM26,804,958 (2019 : RM6,416,315). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2020 RM	2019 RM
Malaysia	53,521,197	27,334,207
Singapore	3,690,258	4,617,062
Others	6,625,284	6,516,361
	<u>63,836,739</u>	<u>38,467,630</u>

Included in trade receivables are property loans totalling RM3,016,260 (2019 : RM754,315) granted to 2 (2019 : 1) customers and bearing interest ranging from 4.22% to 4.72% (2019 : 5.22%) per annum. The loans are effectively secured against the development units sold to the customers and repayable over 10 years as follows:-

	Group	
	2020 RM	2019 RM
Within 1 year	144,560	93,013
1 to 5 years	598,505	434,707
After 5 years	2,273,195	226,595
	<u>3,016,260</u>	<u>754,315</u>

Except for the aforementioned property loans, 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	
	2020 RM	2019 RM
Not past due	46,506,231	29,046,920
1 to 30 days past due	8,418,665	5,319,958
31 to 60 days past due	3,470,620	1,491,225
61 to 90 days past due	653,493	337,724
More than 90 days past due	4,787,730	2,271,803
	<u>63,836,739</u>	<u>38,467,630</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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11. Receivables (cont'd)

Trade receivables (cont'd)

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	
	2020 RM	2019 RM
Balance at 1 July	270,994	723,390
Impairment gains	0	(452,396)
Balance at 30 June	<u>270,994</u>	<u>270,994</u>

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	
	2020 RM	2019 RM
Balance at 1 July	2,237,910	3,400,000
Impairment gains	0	(1,162,090)
Write-offs	(2,237,910)	0
Balance at 30 June	<u>0</u>	<u>2,237,910</u>

Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for an amount of RM3,400,000 (2019 : nil) which bears interest at 4.52% 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	Total RM
2020			
Gross carrying amount	5,800,212	2,455,042	8,255,254
Loss allowance:-			
- Balance at 1 July	0	2,267,247	2,267,247
- Impairment losses	0	3,909	3,909
- Balance at 30 June	0	2,271,156	2,271,156
	<u>5,800,212</u>	<u>183,886</u>	<u>5,984,098</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11. Receivables (cont'd)

Amounts due from subsidiaries (cont'd)

	Not credit- impaired RM	Credit- impaired RM	Total RM
2019			
Gross carrying amount	11,936,863	2,444,267	14,381,130
Loss allowance:-			
- Balance at 1 July	0	3,417,970	3,417,970
- Impairment gains	0	(1,150,723)	(1,150,723)
- Balance at 30 June	0	2,267,247	2,267,247
	<u>11,936,863</u>	<u>177,020</u>	<u>12,113,883</u>

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

12. Assets held for sale

Group

	Freehold land RM	Buildings RM	Motor vehicle RM	Total RM
Balance at 1 July 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
Disposals	0	0	(21,000)	(21,000)
Balance at 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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
Disposals	(21,000)
Balance at 30 June 2020	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13. Inventories

Group	2020 RM	2019 RM
Completed development units	12,611,052	0
Raw materials	3,232,385	3,305,012
Work-in-progress	8,106,367	10,667,031
Finished goods	3,229,113	4,480,753
	<u>27,178,917</u>	<u>18,452,796</u>

14. Contract assets and contract liabilities from property development

Group	2020 RM	2019 RM
Balance at 1 July	7,677,655	(3,254,688)
Revenue recognised during the year	6,244,708	34,560,384
Progress billings during the year	(16,019,513)	(23,628,041)
Balance at 30 June	<u>(2,097,150)</u>	<u>7,677,655</u>
Disclosed as:-		
- Contract assets	0	7,677,655
- Contract liabilities	(2,097,150)	0
	<u>(2,097,150)</u>	<u>7,677,655</u>

As disclosed in Note 2.20, 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 2020, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM41,809,548 (2019 : RM27,099,798) and the Group expects to recognise this revenue when the projects are completed over the next 2 (2019 : 1 to 2) years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

15. Derivatives

Group	2020 RM	2019 RM
Forward exchange contracts - at fair value		
- Current assets	0	4,514
- Current liabilities	(70,971)	(8,500)
	<u>(70,971)</u>	<u>(3,986)</u>

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2020, the Group had contracts with financial institutions due within 1 year to buy RM7,238,562 (2019 : RM2,816,134) and sell USD1,705,116 (2019 : USD683,147) at contractual forward rates.

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

16. Cash and cash equivalents

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Highly liquid investments in money market funds	1,836,218	4,673,078	977,627	2,569,861
Term deposits	4,235,731	4,047,747	8,000	8,000
Cash and bank balances	42,747,059	30,495,881	20,991,567	12,397,064
	<u>48,819,008</u>	<u>39,216,706</u>	<u>21,977,194</u>	<u>14,974,925</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 RM3,266,824 and RM8,000 (2019 : RM3,038,085 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 2020 ranged from 1.40% to 3.35% (2019 : 2.70% to 3.35%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16. Cash and cash equivalents (cont'd)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and cash equivalents	48,819,008	39,216,706	21,977,194	14,974,925
Term deposits pledged as security	(3,266,824)	(3,038,085)	(8,000)	(8,000)
	<u>45,552,184</u>	<u>36,178,621</u>	<u>21,969,194</u>	<u>14,966,925</u>

17. Payables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables:-				
- Related party ^(a)	614,623	728,863	0	0
- Unrelated parties	16,329,015	22,792,723	0	0
	<u>16,943,638</u>	<u>23,521,586</u>	<u>0</u>	<u>0</u>
Other payables				
- Other related party ^(a)	16,368	0	0	0
- Unrelated parties	17,701,346	14,612,236	422,695	651,358
	<u>17,717,714</u>	<u>14,612,236</u>	<u>422,695</u>	<u>651,358</u>
Amounts due to subsidiaries	0	0	1,900,000	1,786,995
	<u>34,661,352</u>	<u>38,133,822</u>	<u>2,322,695</u>	<u>2,438,353</u>

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

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

Trade 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

18. Loans and borrowings

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Secured				
Revolving credits	12,102,564	2,322,863	0	0
Term loans	26,369,301	18,941,144	7,791,119	8,821,144
Unsecured				
Revolving credits	3,784,000	800,000	0	0
	<u>42,255,865</u>	<u>22,064,007</u>	<u>7,791,119</u>	<u>8,821,144</u>
Disclosed as:-				
- Current liabilities	19,546,472	4,986,268	850,783	727,628
- Non-current liabilities	22,709,393	17,077,739	6,940,336	8,093,516
	<u>42,255,865</u>	<u>22,064,007</u>	<u>7,791,119</u>	<u>8,821,144</u>

Secured loans and borrowings are secured against certain property, plant and equipment (Note 4), right-of-use assets (Note 6), land held for property development (Note 7) and term deposits (Note 16).

The effective interest rates of loans and borrowings as at 30 June 2020 ranged from 2.50% to 5.67% (2019 : 3.90% to 6.67%) per annum.

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

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Gross loan instalments:-				
- Within 1 year	4,621,741	2,748,636	1,111,392	1,111,392
- 1 to 5 years	16,425,278	10,616,300	4,445,568	4,445,568
- After 5 years	9,692,930	10,537,124	3,540,220	5,608,724
Total contractual undiscounted cash flows	30,739,949	23,902,060	9,097,180	11,165,684
Future finance charges	(4,370,648)	(4,960,916)	(1,306,061)	(2,344,540)
Present value of term loans	<u>26,369,301</u>	<u>18,941,144</u>	<u>7,791,119</u>	<u>8,821,144</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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

19. Deferred tax liabilities

Group	2020 RM	2019 RM
Balance at 1 July	4,417,000	4,184,000
Deferred tax expense relating to origination and reversal of temporary differences	128,000	429,000
Deferred tax liabilities overprovided in prior year	(176,000)	(196,000)
Balance at 30 June	<u>4,369,000</u>	<u>4,417,000</u>
In respect of taxable/(deductible) temporary differences of:-		
- Property, plant and equipment	4,699,000	4,429,000
- Financial instruments	(330,000)	(12,000)
	<u>4,369,000</u>	<u>4,417,000</u>

Save as disclosed above, as at 30 June 2020, 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 RM970,000 and RM25,000 (2019 : RM320,000 and RM26,000) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Deductible temporary differences of:-				
- Property development costs	1,662,000	1,601,000	0	0
- Financial instruments	0	159,000	0	0
- Inventories	299,000	306,000	0	0
Unused capital allowances	4,967,000	2,084,000	0	313,000
Unused tax losses:-				
- Expiring in year of assessment 2025	22,904,000	23,049,000	1,323,000	1,323,000
- Expiring in year of assessment 2026	748,000	748,000	0	0
- Expiring in year of assessment 2027	515,000	0	0	0
Taxable temporary differences of:-				
- Property, plant and equipment	(3,984,000)	(1,335,000)	(105,000)	(109,000)
- Financial instruments	(59,000)	0	0	0
	<u>28,746,000</u>	<u>26,612,000</u>	<u>1,218,000</u>	<u>1,527,000</u>

The deductible temporary differences and unused capital allowances have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

20. Deferred income on government grants

Group	2020 RM	2019 RM
Balance at 1 July	1,298,519	1,734,608
Amortisation	(436,089)	(436,089)
Balance at 30 June	<u>862,430</u>	<u>1,298,519</u>

21. Share capital

	2020 RM	2019 RM
Issued and fully paid		
102,093,601 ordinary shares with no par value	<u>102,103,907</u>	<u>102,103,907</u>

22. Non-controlling interests ("NCI")

Group	Accumulated NCI		Profit/(Loss) allocated to NCI	
	2020 RM	2019 RM	2020 RM	2019 RM
The 12 Avenues Sdn. Bhd.	0	14,123	0	(867)
Wirama Progresif Sdn. Bhd.	12,220	12,220	0	569
Micro Surface Treatment Sdn. Bhd.	<u>555,594</u>	<u>480,465</u>	<u>175,129</u>	<u>137,894</u>
	<u>567,814</u>	<u>506,808</u>	<u>175,129</u>	<u>137,596</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
		2020	2019	
The 12 Avenues Sdn. Bhd.	Malaysia	0%	30%	Disposed of in June 2020
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 2020

22. Non-controlling interests ("NCI") (cont'd)

Change in ownership interest in subsidiary

During the financial year, the Group acquired the 30% ownership interest in The 12 Avenues Sdn. Bhd. from NCI for cash consideration of RM12,000. The effects of the change in ownership interest on the equity attributable to owners of the Company are as follows:-

	RM
Amount by which NCI are adjusted	14,123
Cash consideration paid	(12,000)
Increase in equity attributable to owners of the Company	<u>2,123</u>

23. Revenue

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:-				
- Sale of goods	177,975,544	127,860,612	0	0
- Rendering of services	7,087,124	5,785,903	2,540,773	2,198,705
- Property development	6,244,708	34,560,384	0	0
- Sale of completed development units	5,659,210	0	0	0
	<u>196,966,586</u>	<u>168,206,899</u>	<u>2,540,773</u>	<u>2,198,705</u>
Other sources of revenue:-				
- Dividend income	54,070	0	15,447,697	16,196,927
- Operating lease income	503,779	940,989	0	0
	<u>557,849</u>	<u>940,989</u>	<u>15,447,697</u>	<u>16,196,927</u>
	<u>197,524,435</u>	<u>169,147,888</u>	<u>17,988,470</u>	<u>18,395,632</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

23. Revenue (cont'd)

Disaggregation of revenue from contracts with customers

Group

	Operating segments (Note 32)			Total RM
	Manufacturing RM	Property development RM	Other operating segments RM	
2020				
Major products/services:-				
- Precision tooling and equipment	5,409,634	0	0	5,409,634
- Precision components and mechatronic	157,531,833	0	0	157,531,833
- Metal fabrications	20,820,194	0	0	20,820,194
- Properties under development	0	6,310,708	0	6,310,708
- Completed development units	0	5,659,210	0	5,659,210
- Others	9,722	0	1,225,285	1,235,007
	183,771,383	11,969,918	1,225,285	196,966,586
Geographical areas:-				
- Malaysia	120,439,922	11,969,918	1,124,623	133,534,463
- Singapore	22,137,583	0	33,930	22,171,513
- Others	41,193,878	0	66,732	41,260,610
	183,771,383	11,969,918	1,225,285	196,966,586
Timing of revenue recognition:-				
- Over time	6,140,281	6,310,708	880,799	13,331,788
- At a point in time	177,631,102	5,659,210	344,486	183,634,798
	183,771,383	11,969,918	1,225,285	196,966,586

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

23. Revenue (cont'd)

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

Group

	Operating segments (Note 32)			Total RM
	Manufacturing RM	Property development RM	Other operating segments RM	
2019				
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
	<u>129,313,757</u>	<u>34,560,384</u>	<u>4,332,758</u>	<u>168,206,899</u>
Geographical areas:-				
- Malaysia	74,261,509	34,560,384	4,152,219	112,974,112
- Singapore	21,898,786	0	0	21,898,786
- Others	33,153,462	0	180,539	33,334,001
	<u>129,313,757</u>	<u>34,560,384</u>	<u>4,332,758</u>	<u>168,206,899</u>
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
	<u>129,313,757</u>	<u>34,560,384</u>	<u>4,332,758</u>	<u>168,206,899</u>

Company

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

24. Impairment gains/(losses) on financial assets

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables from contracts with customers	0	452,396	0	0
Other receivables	0	1,162,090	0	0
Amounts due from subsidiaries	0	0	(3,909)	1,150,723
	<u>0</u>	<u>1,614,486</u>	<u>(3,909)</u>	<u>1,150,723</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

25. Profit before tax

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	201,000	202,500	33,000	33,000
- Prior year	(1,500)	(16,900)	4,500	3,000
Depreciation of investment properties	7,357	0	0	0
Depreciation of property, plant and equipment	6,966,699	6,423,152	97,337	66,639
Depreciation of right-of-use assets	228,222	0	0	0
Employee benefits expense (Note 26)	51,697,964	42,581,447	4,336,139	4,033,173
Fair value losses on financial instruments mandatorily measured at fair value through profit or loss	0	184,797	0	0
Fee expense for financial instruments not measured at fair value through profit or loss	262,202	180,495	8,238	22,455
Impairment loss on investment properties ^(a)	63,100	0	0	0
Impairment loss on property, plant and equipment ^(a)	0	834,641	0	0
Interest expense for financial liabilities not measured at fair value through profit or loss	1,016,215	462,144	119,305	182,335
Inventories written down	2,195,000	0	0	0
Lease expense relating to:-				
- Short-term leases	541,575	0	149,490	0
- Leases of low-value assets (other than short-term leases)	13,100	0	0	0
- Others	0	395,710	0	149,490
Loss on disposal of subsidiary	0	0	4,854	0
Property, plant and equipment written off	199,878	2,353	14	0
Unrealised loss on foreign exchange	21,823	66,602	0	0

^(a) Included in administrative and general expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

25. Profit before tax (cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
and crediting:-				
Amortisation of deferred income on government grants	436,089	436,089	0	0
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	221,206	0	272,775	0
Gain on disposal of investment properties	0	623,941	0	0
Gain on disposal of property, plant and equipment	213,158	132,971	0	0
Gain on disposal of subsidiary	72	0	0	0
Gain on dissolution of subsidiary	87,170	0	0	0
Interest income for financial assets measured at amortised cost	940,601	899,948	181,728	147,041
Realised gain on foreign exchange	90,247	300,849	0	0
Waiver of debts	15,351	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

26. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company:-				
- Fees	22,500	22,500	22,500	22,500
- Other short-term employee benefits	1,195,107	1,224,394	1,158,664	1,187,951
- Defined contribution plans	80,696	98,194	79,256	96,304
	1,298,303	1,345,088	1,260,420	1,306,755
Directors of subsidiaries:-				
- Fees	0	4,472	0	0
- Other short-term employee benefits	1,112,861	742,526	1,112,861	742,526
- Defined contribution plans	126,641	88,900	126,641	88,900
	1,239,502	835,898	1,239,502	831,426
Other employees:-				
- Short-term employee benefits	46,145,352	37,191,869	1,644,836	1,720,492
- Defined contribution plans	3,768,887	3,208,592	191,381	174,500
- Government grants under Wage Subsidy Programme	(754,080)	0	0	0
	49,160,159	40,400,461	1,836,217	1,894,992
	51,697,964	42,581,447	4,336,139	4,033,173

27. Tax expense/(income)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Tax based on results for the year:-				
- Current tax	9,902,083	6,158,877	31,000	80,000
- Deferred tax	128,000	429,000	0	0
	10,030,083	6,587,877	31,000	80,000
Tax (over)/under provided in prior year:-				
- Current tax	(199,818)	(12,715)	(77,630)	16,340
- Deferred tax	(176,000)	(196,000)	0	0
	9,654,265	6,379,162	(46,630)	96,340

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

27. Tax expense/(income) (cont'd)

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	
	2020 %	2019 %	2020 %	2019 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	5.04	4.69	6.03	0.94
Non-taxable income	(0.89)	(0.59)	(29.22)	(26.48)
Tax incentives claimed	(0.88)	(0.65)	0.00	0.00
Effect of differential tax rates	0.92	(0.28)	0.00	0.00
Increase/(Decrease) in unrecognised deferred tax assets	1.52	(1.27)	(0.57)	2.09
Average effective tax rate	<u>29.71</u>	<u>25.90</u>	<u>0.24</u>	<u>0.55</u>

28. 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:-

	2020	2019
Profit for the financial year attributable to owners of the Company (RM)	<u>23,925,944</u>	<u>18,921,277</u>
Weighted average number of shares in issue	<u>102,093,601</u>	<u>102,093,601</u>
Basic earnings per share (sen)	<u>23.44</u>	<u>18.53</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.

29. Dividend

Group and Company

	2020 RM	2019 RM
Final single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2019	<u>3,062,808</u>	<u>0</u>

A final single tier dividend of 6.0 sen per share in respect of the financial year ended 30 June 2020 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 2020

30. Notes to statements of cash flows

Leases

The total cash outflow for leases is as follows:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Operating activities				
Lease expense recognised in profit or loss (Note 25)	554,675	395,710	149,490	149,490
Investing activities				
Acquisition of right-of-use assets	107,849	0	0	0
	<u>662,524</u>	<u>395,710</u>	<u>149,490</u>	<u>149,490</u>

Term loans

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Balance at 1 July	18,941,144	7,823,080	8,821,144	7,823,080
Drawdowns	9,971,200	17,600,000	0	2,000,000
Repayments	<u>(2,543,043)</u>	<u>(6,481,936)</u>	<u>(1,030,025)</u>	<u>(1,001,936)</u>
Balance at 30 June (Note 18)	<u>26,369,301</u>	<u>18,941,144</u>	<u>7,791,119</u>	<u>8,821,144</u>

Short-term loans and borrowings

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Balance at 1 July	3,122,863	2,202,350	0	2,000,000
Net cash flow changes	12,690,555	920,513	0	(2,000,000)
Currency translation differences	49,829	0	0	0
Other changes	<u>23,317</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 30 June (Note 18)	<u>15,886,564</u>	<u>3,122,863</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

31. Related party disclosures

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Key management personnel compensation:-				
- Short-term employee benefits	2,330,468	1,993,892	2,294,025	1,952,977
- Defined contribution plans	207,337	187,094	205,897	185,204
	2,537,805	2,180,986	2,499,922	2,138,181
Dividends received from subsidiaries	0	0	15,393,627	16,196,927
Interest charged to subsidiaries	0	0	87,233	0
Purchase of goods from other related party ^(a)	2,206,736	1,394,494	0	0
Rendering of services to subsidiaries	0	0	2,540,773	2,198,705
Rental charged by other related party ^(a)	247,698	247,698	149,490	149,490
Disposal of property, plant and equipment to director	4,032	0	4,032	0
Sale of development properties to other related parties ^(b)	0	1,368,000	0	0
Subscription for shares in subsidiaries	0	0	7,992,000	19,998
Waiver of debts by director	15,351	0	0	0

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

^(b) Being family members of certain directors

32. 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. Segment reporting (cont'd)

Except as indicated above, no operating segments have been aggregated to form the above reportable segments. "Other operating segments" category consists of small operations related to money lending, property letting, hotel operation and supply 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 2020

32. Segment reporting (cont'd)

Operating segments (cont'd)

2020

STATEMENT OF FINANCIAL POSITION

Segment assets

Included in the measure of segment assets are:-
- Additions to non-current assets

Segment liabilities

STATEMENT OF COMPREHENSIVE INCOME

Segment profit

Included in the measure of segment profit are:-

- External revenue
- Intersegment revenue
- Interest income
- Non-cash income
- Interest expense
- Depreciation
- Other non-cash expenses
- Share of joint venture's profit
- Tax expense

	Manufacturing RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
	156,826,731	89,018,822	18,975,461	156,489,497	(135,261,273)	286,049,238
	21,418,152	292,902	49,771	131,803	237,546	22,130,174
	61,846,022	25,131,877	1,815,509	10,282,793	(11,901,740)	87,174,461
	26,879,054	(292,622)	325,039	13,430,575	(16,240,973)	24,101,073
	183,771,383	11,969,918	1,729,064	54,070	0	197,524,435
	25,544,106	2,375,119	543,755	37,558,514	(66,021,494)	0
	442,126	251,001	126,412	208,295	(87,233)	940,601
	436,089	15,351	0	244,176	(157,006)	538,610
	922,976	61,167	0	119,305	(87,233)	1,016,215
	6,384,075	181,085	531,291	105,827	0	7,202,278
	2,548,281	1,693,356	2,477	14	0	4,244,128
	0	0	0	0	5,071	5,071
	9,208,553	323,197	85,368	37,147	0	9,654,265

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. Segment reporting (cont'd)

Operating segments (cont'd)

2019

STATEMENT OF FINANCIAL POSITION

Segment assets

Included in the measure of segment assets are:-
- Additions to non-current assets

Segment liabilities

STATEMENT OF COMPREHENSIVE INCOME

Segment profit

Included in the measure of segment profit are:-

- External revenue
- Intersegment revenue
- Impairment gains on financial assets
- Interest income
- Non-cash income
- Interest expense
- Depreciation
- Other non-cash expenses
- Share of joint venture's loss
- Tax expense

	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
	19,567,436	151,884	31,888	215,655	0	19,966,863
	39,860,612	27,958,456	2,593,867	13,787,642	(17,293,462)	66,907,115
	17,713,725	2,842,164	391,813	15,669,598	(17,558,427)	19,058,873
	129,313,757	34,560,384	5,273,747	0	0	169,147,888
	9,972,866	0	2,588,734	34,237,426	(46,799,026)	0
	452,396	0	0	1,162,090	0	1,614,486
	502,200	153,093	70,216	177,114	(2,675)	899,948
	436,089	0	0	0	0	436,089
	279,809	2,675	0	182,335	(2,675)	462,144
	5,557,506	304,476	490,933	70,237	0	6,423,152
	907,582	0	0	0	0	907,582
	0	0	0	0	3,689	3,689
	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 2020

32. 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Malaysia	134,092,312	147,631,092	127,618,504	110,515,059
Singapore	22,171,513	8,208,377	0	0
Others	41,260,610	13,308,419	0	0
	<u>197,524,435</u>	<u>169,147,888</u>	<u>127,618,504</u>	<u>110,515,059</u>

Major customers

For the financial year ended 30 June 2020, 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 RM26,804,958. 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.

33. Contractual commitments

Group

	2020	2019
	RM	RM
Acquisition of property, plant and equipment	<u>3,548,000</u>	<u>8,125,000</u>

34. 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 RM47,436,000 (2019 : RM38,270,000). The total utilisation of these credit facilities as at 30 June 2020 amounted to RM27,948,000 (2019 : RM14,355,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

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 2.16. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

35. 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 34.

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 11. 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	
	2020 RM	2019 RM
Receivables	15,516,240	13,240,580
Cash and cash equivalents	2,426,024	2,317,327
Payables	(907,895)	(1,680,595)
Loans and borrowings	(5,386,564)	(2,322,863)
	<u>11,647,805</u>	<u>11,554,449</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

35. 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 2020 RM	Group Increase/ (Decrease) in profit 2019 RM
Appreciation of USD against RM by 10%	885,233	878,216
Depreciation of USD against RM by 10%	<u>(885,233)</u>	<u>(878,216)</u>

Interest rate risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely receivables, 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 follows:-

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Fixed rate instruments				
Financial assets	4,235,731	4,047,747	8,000	8,000
Financial liabilities	15,886,564	3,122,863	0	0
Floating rate instruments				
Financial assets	3,016,260	754,315	3,400,000	0
Financial liabilities	<u>26,369,301</u>	<u>18,941,144</u>	<u>7,791,119</u>	<u>8,821,144</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

35. Financial risk management (cont'd)

Interest rate risk (cont'd)

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, 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 2020 RM	Increase/ (Decrease) in profit 2019 RM	Increase/ (Decrease) in profit 2020 RM	Increase/ (Decrease) in profit 2019 RM
Increase in interest rates by 50 basis points	(116,765)	(94,706)	(21,956)	(44,106)
Decrease in interest rates by 50 basis points	<u>116,765</u>	<u>94,706</u>	<u>21,956</u>	<u>44,106</u>

36. 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 interest-bearing debts 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 interest-bearing debts divided by total equity as follows:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Total interest-bearing debts	42,255,865	22,064,007	7,791,119	8,821,144
Total equity	<u>198,874,777</u>	<u>178,035,682</u>	<u>142,263,921</u>	<u>132,245,804</u>
Total capital	<u>241,130,642</u>	<u>200,099,689</u>	<u>150,055,040</u>	<u>141,066,948</u>
Debt-to-equity ratio	<u>21.25%</u>	<u>12.39%</u>	<u>5.48%</u>	<u>6.67%</u>

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

SHAREHOLDING STATISTIC

AS AT 30 SEPTEMBER 2020

Number of Issued Shares : 102,093,601 shares
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	587	18.88	38,745	0.04
100 - 1,000	236	7.59	121,073	0.12
1,001 - 10,000	1,983	63.78	6,483,420	6.35
10,001 - 100,000	275	8.85	6,874,185	6.73
100,001 - 5,104,679*	25	0.80	27,299,498	26.74
5,104,680 and above **	3	0.10	61,276,680	60.02
TOTAL	3,109	100.00	102,093,601	100.00

SUBSTANTIAL SHAREHOLDERS' INTEREST

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kobay Holdings Sdn. Bhd.	33,432,980	32.75	-	-
Norinv Kapital Sdn. Bhd.	19,904,700	19.50	-	-
Premiergrow Capital Sdn. Bhd.	7,939,000	7.78	-	-

DIRECTORS' INTEREST

Name of Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Seri Koay Hean Eng	-	-	33,432,980 [^]	32.75
Koay Cheng Lye	-	-	33,432,980 [^]	32.75
Koay Ah Bah @ Koay Cheng Hock	-	-	33,432,980 [^]	32.75
Dr. Mohamad Zabdi Bin Zamrod	-	-	-	-
Khaw Eng Peng	-	-	-	-

Notes:-

* less than 5% of the issued shares

** 5% and above of the issued shares

[^] Deemed interest by virtue of shares held by Kobay Holdings Sdn. Bhd. in which the director has interest

By virtue of their interests in shares in Kobay Holdings Sdn. Bhd., Dato' Seri Koay Hean Eng, Koay Cheng Lye and Koay Ah Bah @ Koay Cheng Hock are also deemed to have interests in shares in Kobay/the Company and all 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 (CONT'D)

AS AT 30 SEPTEMBER 2020

THIRTY (30) LARGEST SHAREHOLDERS (AS AT 30 SEPTEMBER 2020)

Name of Shareholders	No. of Shares Held	% Shareholding
1. Kobay Holdings Sdn. Bhd.	33,432,980	32.75
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	4,264,650	4.18
6. Ooi Ruey Yng	3,336,769	3.27
7. Inna Capital Sdn. Bhd.	2,683,074	2.63
8. Inna Capital Sdn. Bhd.	2,224,124	2.18
9. Teh Jia Shyann	2,194,400	2.15
10. Ng Mun Fye	1,735,800	1.70
11. Tan Chen Ghee	1,185,500	1.16
12. Tan Lai Hock	1,102,000	1.08
13. Ooi Ruey Yng	990,431	0.97
14. Tan Jin Tuan	918,000	0.90
15. Tan Jin Tuan	918,000	0.90
16. CITIGroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	793,800	0.78
17. Cartaban Nominees (Tempatan) Sdn. Bhd. ICapital. Biz Berhad	752,600	0.74
18. Lai Chin Loy	729,900	0.71
19. CIMB Group Nominees (Asing) Sdn. Bhd. Exempt an for DBS Bank Ltd (SFS)	598,600	0.58
20. Ch'ng Chuon Ghee	396,100	0.39
21. RHB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Fong Jong Han	300,000	0.29
22. Sapiyah Binti Abu	243,750	0.23
23. Lim Kee	201,500	0.20
24. Maybank Nominees (Tempatan) Sdn. Bhd. Lee Chin Ark	200,000	0.19
25. Maybank Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Kho Ping	183,000	0.18
26. Ooi Kok Kee	173,400	0.17
27. Lee Kok Hin	164,800	0.16
28. Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Dana Makmur Pheim (211901)	164,000	0.16
29. Maybank Nominees (Tempatan) Sdn. Bhd. Lim Yook Yuen	150,000	0.15
30. Public Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tan Mon King (E-PDG)	150,000	0.15
TOTAL :	88,030,878	86.23

LIST OF PROPERTIES

AS AT 30 JUNE 2020

Location	Description/ Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @ 30.6.20 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/ (25 years)	6,806
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./ (58,104 sq. ft.)	24.06.1998	Leasehold for 60 years expiring on 17.01.2062/ (20 years)	5,992
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/ (29 years)	5,017
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/ (27 years)	915
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/ (9 years)	4,586
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/ (38 years)	3,968
HS(D) No. 33005, PT 1529, Mukim 1, Daerah Seberang Prai Tengah, Pulau Pinang No. 2478, Lorong Perusahaan 10, 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/ (32 years)	23,826

LIST OF PROPERTIES (CONT'D)

AS AT 30 JUNE 2020

Location	Description/ Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @ 30.6.20 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	13,925
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	1,329

Location	Land Area	Tenure	Advances to Landowners & Development Cost @ 30.6.20 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	7,545
GM652, Lot 1670, Mukim 12, Daerah Barat Daya, Pulau Pinang	43,124 sq. ft.	Freehold	2,060

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